

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672

2652 SCOMM 118 HOUSE SPECIAL COMMITTEE OIL & GAS, 1999-2000



Resource Development Council for Alaska, Inc.

121 West Fireweed Lane, Suite 250, Anchorage, Alaska 99503-2035
(907) 276-0700 Fax: (907) 276-3887 e-mail: Resources@akrdc.org

Founded 1975

EXECUTIVE DIRECTOR
Kenneth J. Freeman

1999-2000 EXECUTIVE COMMITTEE

James F. Branch, President
Robert G. Stiles, Sr., Vice President
Charles W. Johnson, Vice President
Uwe L. Gross, Secretary
Stanley T. Foo, Treasurer
Cynthia Bailey
Allen Bingham
Charlie Boddy
Charles D. Brower
Marilyn Crockett
Dennis Egan
Mato Frey
Paul S. Glavinovich
Mark Hanley
Ryan Lance
Stephanie Madson
Kirk McGee
H. Raymond Measles
David J. Parish
Elizabeth Rensch
Jerome Selby
Thyes J. Shaul

DIRECTORS

Irene A. Anderson
Don Argetzinger
Richard E. Barrett
Frank M. Brown
Bruce Bustamante
James E. Carmichael
James L. Cloud
David C. Cobb
Stephen M. Connelly
Jeffrey J. Cook
Larry Daniels
Bill Elender
George L. Erickson
Lori Eussen
Jeffrey Y. Foley
Donald S. Follows
Ronald A. Getrich
Lennie Gorsuch
Elary Gromoff, Jr.
Arvid Hall
John K. Handeland
Joseph R. Henri
Jim Jansen
Erling T. Johansen
John Key
James W. Konat
Pete Leathard
Brian J. Lertich
Robert W. Lischer
David J. Matthews
David McCannbridge
William McLaughlin
Frank E. McQuerry
Benjamin P. Nagasek
Wesley P. Nason
Mike Navarre
Bernard Nidowicz
John K. Norman
Wilbur O'Brien
Sarah H. Palf
Kenneth E. Peavyhouse
William E. Pierce
Debbie Reinwand
John A.L. Rense
Ronald L. Rickerts
W.B. Schoephoester
Patrick R. Smith
John L. Sturgeon
Cliff R. Taro
Rupert G. Tart, Jr.
Barry D. Thomson
Scott L. Thorson
Lon Trotter
Nancy B. Ussara
J.C. Wingfield
George P. Wuernh

HONORARY DIRECTORS

Paula P. Easley
Pete R. Holdsworth
Rocky Miller
George R. Schmidt
William R. Wood

EX-OFFICIO MEMBERS

Senator Ted Stevens
Senator Frank Murkowski
Congressman Don Young
Governor Tony Knowles

April 4, 2000

Representative Jim Whitaker
Alaska State Legislature
Juneau, AK 99801

Dear Representative Whitaker:

The Resource Development Council for Alaska, Inc., (RDC) is writing to comment on HB 399, which proposes an ad valorem tax on natural gas reserves on the North Slope. Historically, RDC and its members have opposed measures that could eventually lead to the taxation of resource reserves. Consistent with previous action and policy, RDC opposes this measure, given HB 399 could create a precedent leading to the taxation of other undeveloped resources, including minerals and timber.

RDC is an Alaskan, statewide membership-funded organization working on behalf of Alaska's basic industries, including tourism, fishing, oil and gas, mining and timber. RDC's membership includes the aforementioned industries, as well as sectors which support those industries, such as construction, labor and other technical service providers, individuals, and Native corporations.

While some may believe that a resource reserve tax would create an incentive to speed up the development of the resource or a specific project, we believe HB 399 would do just the opposite. Such a tax creates additional expenses and does not change the inherent risks and economics of a project. In fact, a tax on any resource in the ground could send a chill through current and potential future investors and compromise the progress Alaska had made in improving its business climate.

As existing and new companies consider business opportunities in Alaska's resource sectors, tax regimes, permitting and the fundamental economics of a project are paramount in determining where new capital investments will be targeted. Alaska has no choice but to compete with other resource-rich provinces across the globe, and a resource reserves tax would make Alaska less attractive to investors by creating more risks and obstacles to development.

Since the initial development of Prudhoe Bay, our members in the oil and gas industry have invested more than \$800 million in researching the commercialization of North Slope gas. Today several companies are aggressively pursuing a number of gas

commercialization options. With these efforts, one or more economically viable projects will eventually be identified, especially given recent breakthroughs and the application of new technology.

However, to force a project through at this point with a gas reserves tax only increases the risks and expenses for those attempting to commercialize the resource. It would also send a negative signal to industry when several entities are looking seriously for ways to bring North Slope gas to market. Moreover, the gas reserves tax would damage government-industry relations and could discourage interest and investment in our state.

In summary, our members in the oil and gas sectors strongly believe HB 399 does not represent an incentive for future development of North Slope gas resources. They consider this legislation punitive in nature and warn it could hinder us from achieving our common goal of commercializing North Slope gas. As for our members in the timber and minerals sectors, they see disturbing red flags in HB 399, fearing it would set a precedent for a resource reserve tax, which in turn would dampen enthusiasm for future investment and development.

Our members agree that the driving force behind a successful project should be good economics, favorable government-industry relations and an efficient and predictable permitting system – not a resource reserve tax which could do more harm than good.

Sincerely,

RESOURCE DEVELOPMENT COUNCIL
for Alaska, Inc.


Ken Freeman
Executive Director

cc: House Oil and Gas Committee
House Speaker Brian Porter
House Resources Co-chair Bill Hudson
House Resources Co-Chair Beverly Masek



Resource Development Council for Alaska, Inc.

121 West Fireweed Lane, Suite 250, Anchorage, Alaska 99503-2035
(907) 276-0700 Fax: (907) 276-3887 e-mail: Resources@akrdc.org

Founded 1975

EXECUTIVE DIRECTOR
Kenneth J. Freeman

1999-2000 EXECUTIVE COMMITTEE

James F. Branch, President
Robert B. Stiles, Sr., Vice President
Charles W. Johnson, Vice President
Uwe L. Gross, Secretary
Stanley T. Foa, Treasurer
Cynthia Bailey
Allen Bingham
Charlie Boddy
Charles D. Brower
Marilyn Crockett
Dennis Egan
Mato Frey
Paul S. Glavinovich
Mark Hanley
Ryan Lance
Stephanie Madson
Kirk McGee
H. Raymond Measles
David J. Parish
Elizabeth Renshaw
Jerome Selby
Thyes J. Shaul

DIRECTORS

Kene A. Anderson
Don Arpessinger
Richard E. Barrett
Frank M. Brown
Bruce Bustamante
James E. Carmichael
James L. Cloud
David C. Cobb
Stephen M. Connelly
Jeffrey J. Cook
Larry Daniels
Bill Elander
George L. Erickson
Lori Eussen
Jeffrey Y. Foley
Donald S. Follows
Ronald A. Gelbrich
Lennie Gorsuch
Elary Gromoff, Jr.
Arvid Hall
John K. Handeland
Joseph R. Henri
Jim Jansen
Erving T. Johansen
John Kay
James W. Konst
Pete Leathard
Brian J. Lertich
Robert W. Loeschner
David L. Matthews
David McCambridge
William McLaughlin
Frank E. McQuay
Benjamin P. Nagalak
Wesley P. Nelson
Mike Navarre
Bernard Nidowicz
John K. Norman
Wilbur O'Brien
Sarah H. Pafin
Kenneth E. Peavyhouse
William E. Pierce
Debbie Reinwand
John A.L. Rense
Ronald L. Rickelbs
W.B. Schoepflester
Patrick R. Smith
John L. Sturgeon
Curt R. Taro
Rupen G. Tart, Jr.
Barry D. Thomson
Scott L. Thorson
Lon Trotter
Nancy B. Users
J.C. Wingfield
George P. Wuerch

HONORARY DIRECTORS

Paula P. Esley
Phil R. Holdsworth
Rocky Miller
George R. Schmidt
William H. Wood

EX-OFFICIO MEMBERS

Senator Ted Stevens
Senator Frank Murkowski
Congressman Don Young
Governor Tony Knowles

April 4, 2000

Representative Jim Whitaker
Alaska State Legislature
Juneau, AK 99801

Dear Representative Whitaker:

The Resource Development Council for Alaska, Inc., (RDC) is writing to comment on HB 399, which proposes an ad valorem tax on natural gas reserves on the North Slope. Historically, RDC and its members have opposed measures that could eventually lead to the taxation of resource reserves. Consistent with previous action and policy, RDC opposes this measure, given HB 399 could create a precedent leading to the taxation of other undeveloped resources, including minerals and timber.

RDC is an Alaskan, statewide membership-funded organization working on behalf of Alaska's basic industries, including tourism, fishing, oil and gas, mining and timber. RDC's membership includes the aforementioned industries, as well as sectors which support those industries, such as construction, labor and other technical service providers, individuals, and Native corporations.

While some may believe that a resource reserve tax would create an incentive to speed up the development of the resource or a specific project, we believe HB 399 would do just the opposite. Such a tax creates additional expenses and does not change the inherent risks and economics of a project. In fact, a tax on any resource in the ground could send a chill through current and potential future investors and compromise the progress Alaska had made in improving its business climate.

As existing and new companies consider business opportunities in Alaska's resource sectors, tax regimes, permitting and the fundamental economics of a project are paramount in determining where new capital investments will be targeted. Alaska has no choice but to compete with other resource-rich provinces across the globe, and a resource reserves tax would make Alaska less attractive to investors by creating more risks and obstacles to development.

Since the initial development of Prudhoe Bay, our members in the oil and gas industry have invested more than \$800 million in researching the commercialization of North Slope gas. Today several companies are aggressively pursuing a number of gas

commercialization options. With these efforts, one or more economically viable projects will eventually be identified, especially given recent breakthroughs and the application of new technology.

However, to force a project through at this point with a gas reserves tax only increases the risks and expenses for those attempting to commercialize the resource. It would also send a negative signal to industry when several entities are looking seriously for ways to bring North Slope gas to market. Moreover, the gas reserves tax would damage government-industry relations and could discourage interest and investment in our state.

In summary, our members in the oil and gas sectors strongly believe HB 399 does not represent an incentive for future development of North Slope gas resources. They consider this legislation punitive in nature and warn it could hinder us from achieving our common goal of commercializing North Slope gas. As for our members in the timber and minerals sectors, they see disturbing red flags in HB 399, fearing it would set a precedent for a resource reserve tax, which in turn would dampen enthusiasm for future investment and development.

Our members agree that the driving force behind a successful project should be good economics, favorable government-industry relations and an efficient and predictable permitting system – not a resource reserve tax which could do more harm than good.

Sincerely,

RESOURCE DEVELOPMENT COUNCIL
for Alaska, Inc.


Ken Freeman
Executive Director

cc: House Oil and Gas Committee
House Speaker Brian Porter
House Resources Co-chair Bill Hudson
House Resources Co-Chair Beverly Masek

**The Alaska Support Industry Alliance
Testimony on HB399
April 4, 2000
Submitted by Karen Cowart**

Good afternoon Mr. Chairman, Thank you for the opportunity to provide the Alaska Support Industry Alliance position on House Bill 399.

As introduction, I am the General Manager of the Alliance. Our membership includes nearly 350 businesses that contract directly with producer companies to provide products and services in support of oil and gas activity. Collectively we employ 29,000 people in Alaska ... 25,000 are permanent residents of the state. The Alliance mission is to advocate safe and environmentally sound petroleum exploration, development and production for the benefit of all Alaskans.

The Alaska Support Industry Alliance expresses serious alarm over House Bill 399 – Taxation on in-place North Slope Natural Gas. We believe the bill's provisions and message is extremely harmful to our industry and sends a negative signal to any current or potential oil and gas investor.

HB399 acknowledges that "natural gas located on the North Slope is a valuable resource to the state that has not been produced for sale in the marketplace, nor made available for in-state utilization by the people of the state." What it fails to recognize is *why* there has been little or no production. The vast natural gas reserves on the North Slope are *indisputably valuable* to the state and to the companies with gas-rich leases. These companies *would* develop the resource if *revenues* could sufficiently exceed expenses. They do not. Not yet. Even the Joint Special Committee on Mergers' experts agrees "Alaskan natural gas is not expected to be commercially viable for at least 5 to 10 years."

Attempting to coerce unprofitable development of natural gas under the HB399 scenario is akin to taxing the farmer for NOT planting a profitless crop. It is comparable to imposing a stiff fee on the commercial fisherman who is unwilling to harvest salmon in untested and unforgiving seas, at non-economic prices. It is the same as taxing the miner whose undeveloped claim now lies too far from reasonable transportation. Your proposed levy is just like assessing the sawmill for NOT spending a fortune to airlift timber from otherwise inaccessible forestlands.

HB399 doesn't levy taxes on farmers, fishermen, miners or loggers. It singles out the oil and gas industry.

The sponsor references HB399 levy as an "incentive." This takes a myopic view of the very global, very competitive oil and gas industry. Alaska may be rich in natural gas, but so are many, many other areas of the world ... areas with infrastructure already in place, areas with less harsh environments, areas that cost less to do business in. A gas reserves tax only increases the risks and reduces the benefits for gas owners. Let's call the kettle black. HB399 is the "T-word" and that is a *dis-incentive*. It's also unfair and irresponsible.

Original North Slope oil and gas leases were not sold with the promise, assumption or expectation that new taxes on undeveloped resources would be levied as part of the lease agreement. If that was the case, we can safely assume that far fewer leases would have been sold. How can we justify placing additional fiscal provisions on an already agreed-upon contract between the state and leaseholders? At best, this brands Alaska with an image of instability. We cannot afford that.

The Alaska Support Industry Alliance has always supported commercial development of natural gas on the North Slope, in Cook Inlet and wherever else the resource abounds in our state. We do not pretend to know what is the best method of production, the best resulting commodity, the best way or route to transport. Only those who must invest and risk huge amounts of money to bring natural gas to market can say what is most feasible. By all indications, there is enough natural gas on the North Slope to make several options possible.

We are encouraged by the number of groups looking at ways to make North Slope natural gas commercially viable. The ARCO-led sponsor group is spending millions on economic research to advance an Alaska LNG project. Yukon Pacific is analyzing a gas pipeline route along its permits. The Alaska Natural Gas to Liquids Company is exploring ways to adapt proven South African technologies to the Arctic. Exxon Mobile is discussing construction of a commercial gas to liquids plant, and BP Exploration has plans for a GTL pilot project. And several companies are addressing the potential of a gas sales pipeline to the Lower 48.

These could be very exciting for Alaska *if* we don't discourage companies from investing in all projects to commercialize North Slope Natural Gas. The timing couldn't be better to deliver true incentives to develop natural gas here in ALASKA. Industrialized countries worldwide recognize that natural gas will play a more prominent role in energy consumption. In fact a landmark study from the

American Gas Association entitled *Fueling the Future* says that new technologies could boost natural gas demand by 60% in the next 20 years! Is Alaska going to be poised to get a piece of that gigantic pie?

If so, we better project an image of stability, not one of taxes. As business people, we urge government to leave the economics of business-to-business people. We urge you to carry out your constitutional duty to have the state "encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest." Additional taxes serves to discourage development, leaving Alaska vulnerable to loss of potential investors and future state revenues.

**The Alaska Support Industry Alliance
Testimony on HB399
April 4, 2000
Submitted by Karen Cowart**

Good afternoon Mr. Chairman, Thank you for the opportunity to provide the Alaska Support Industry Alliance position on House Bill 399.

As introduction, I am the General Manager of the Alliance. Our membership includes nearly 350 businesses that contract directly with producer companies to provide products and services in support of oil and gas activity. Collectively we employ 29,000 people in Alaska ... 25,000 are permanent residents of the state. The Alliance mission is to advocate safe and environmentally sound petroleum exploration, development and production for the benefit of all Alaskans.

The Alaska Support Industry Alliance expresses serious alarm over House Bill 399 – Taxation on in-place North Slope Natural Gas. We believe the bill's provisions and message is extremely harmful to our industry and sends a negative signal to any current or potential oil and gas investor.

HB399 acknowledges that "natural gas located on the North Slope is a valuable resource to the state that has not been produced for sale in the marketplace, nor made available for in-state utilization by the people of the state." What it fails to recognize is *why* there has been little or no production. The vast natural gas reserves on the North Slope are *indisputably valuable* to the state and to the companies with gas-rich leases. These companies *would* develop the resource if *revenues* could sufficiently exceed expenses. They do not. Not yet. Even the Joint Special Committee on Mergers' experts agrees "Alaskan natural gas is not expected to be commercially viable for at least 5 to 10 years."

Attempting to coerce unprofitable development of natural gas under the HB399 scenario is akin to taxing the farmer for NOT planting a profitless crop. It is comparable to imposing a stiff fee on the commercial fisherman who is unwilling to harvest salmon in untested and unforgiving seas, at non-economic prices. It is the same as taxing the miner whose undeveloped claim now lies too far from reasonable transportation. Your proposed levy is just like assessing the sawmill for NOT spending a fortune to airlift timber from otherwise inaccessible forestlands.

HB399 doesn't levy taxes on farmers, fishermen, miners or loggers. It singles out the oil and gas industry.

The sponsor references HB399 levy as an "incentive." This takes a myopic view of the very global, very competitive oil and gas industry. Alaska may be rich in natural gas, but so are many, many other areas of the world ... areas with infrastructure already in place, areas with less harsh environments, areas that cost less to do business in. A gas reserves tax only increases the risks and reduces the benefits for gas owners. Let's call the kettle black. HB399 is the "T-word" and that is a *dis-incentive*. It's also unfair and irresponsible.

Original North Slope oil and gas leases were not sold with the promise, assumption or expectation that new taxes on undeveloped resources would be levied as part of the lease agreement. If that was the case, we can safely assume that far fewer leases would have been sold. How can we justify placing additional fiscal provisions on an already agreed-upon contract between the state and leaseholders? At best, this brands Alaska with an image of instability. We cannot afford that.

The Alaska Support Industry Alliance has always supported commercial development of natural gas on the North Slope, in Cook Inlet and wherever else the resource abounds in our state. We do not pretend to know what is the best method of production, the best resulting commodity, the best way or route to transport. Only those who must invest and risk huge amounts of money to bring natural gas to market can say what is most feasible. By all indications, there is enough natural gas on the North Slope to make several options possible.

We are encouraged by the number of groups looking at ways to make North Slope natural gas commercially viable. The ARCO-led sponsor group is spending millions on economic research to advance an Alaska LNG project. Yukon Pacific is analyzing a gas pipeline route along its permits. The Alaska Natural Gas to Liquids Company is exploring ways to adapt proven South African technologies to the Arctic. Exxon Mobile is discussing construction of a commercial gas to liquids plant, and BP Exploration has plans for a GTL pilot project. And several companies are addressing the potential of a gas sales pipeline to the Lower 48.

These could be very exciting for Alaska *if* we don't discourage companies from investing in all projects to commercialize North Slope Natural Gas. The timing couldn't be better to deliver true incentives to develop natural gas here in ALASKA. Industrialized countries worldwide recognize that natural gas will play a more prominent role in energy consumption. In fact a landmark study from the

American Gas Association entitled *Fueling the Future* says that new technologies could boost natural gas demand by 60% in the next 20 years! Is Alaska going to be poised to get a piece of that gigantic pie?

If so, we better project an image of stability, not one of taxes. As business people, we urge government to leave the economics of business-to-business people. We urge you to carry out your constitutional duty to have the state "encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest." Additional taxes serves to discourage development, leaving Alaska vulnerable to loss of potential investors and future state revenues.

CORRECTION

**THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION**



Rev. 6/98

Central Microfilm Services
Department of Education & Early Development
State of Alaska

**The Alaska Support Industry Alliance
Testimony on HB399
April 4, 2000
Submitted by Karen Cowart**

Good afternoon Mr. Chairman, Thank you for the opportunity to provide the Alaska Support Industry Alliance position on House Bill 399.

As introduction, I am the General Manager of the Alliance. Our membership includes nearly 350 businesses that contract directly with producer companies to provide products and services in support of oil and gas activity. Collectively we employ 29,000 people in Alaska ... 25,000 are permanent residents of the state. The Alliance mission is to advocate safe and environmentally sound petroleum exploration, development and production for the benefit of all Alaskans.

The Alaska Support Industry Alliance expresses serious alarm over House Bill 399 – Taxation on in-place North Slope Natural Gas. We believe the bill's provisions and message is extremely harmful to our industry and sends a negative signal to any current or potential oil and gas investor.

HB399 acknowledges that "natural gas located on the North Slope is a valuable resource to the state that has not been produced for sale in the marketplace, nor made available for in-state utilization by the people of the state." What it fails to recognize is *why* there has been little or no production. The vast natural gas reserves on the North Slope are *indisputably valuable* to the state and to the companies with gas-rich leases. These companies *would* develop the resource if *revenues* could sufficiently exceed expenses. They do not. Not yet. Even the Joint Special Committee on Mergers' experts agrees "Alaskan natural gas is not expected to be commercially viable for at least 5 to 10 years."

Attempting to coerce unprofitable development of natural gas under the HB399 scenario is akin to taxing the farmer for NOT planting a profitless crop. It is comparable to imposing a stiff fee on the commercial fisherman who is unwilling to harvest salmon in untested and unforgiving seas, at non-economic prices. It is the same as taxing the miner whose undeveloped claim now lies too far from reasonable transportation. Your proposed levy is just like assessing the sawmill for NOT spending a fortune to airlift timber from otherwise inaccessible forestlands.

HB399 doesn't levy taxes on farmers, fishermen, miners or loggers. It singles out the oil and gas industry.

The sponsor references HB399 levy as an "incentive." This takes a myopic view of the very global, very competitive oil and gas industry. Alaska may be rich in natural gas, but so are many, many other areas of the world ... areas with infrastructure already in place, areas with less harsh environments, areas that cost less to do business in. A gas reserves tax only increases the risks and reduces the benefits for gas owners. Let's call the kettle black. HB399 is the "T-word" and that is a *dis-incentive*. It's also unfair and irresponsible.

Original North Slope oil and gas leases were not sold with the promise, assumption or expectation that new taxes on undeveloped resources would be levied as part of the lease agreement. If that was the case, we can safely assume that far fewer leases would have been sold. How can we justify placing additional fiscal provisions on an already agreed-upon contract between the state and leaseholders? At best, this brands Alaska with an image of instability. We cannot afford that.

The Alaska Support Industry Alliance has always supported commercial development of natural gas on the North Slope, in Cook Inlet and wherever else the resource abounds in our state. We do not pretend to know what is the best method of production, the best resulting commodity, the best way or route to transport. Only those who must invest and risk huge amounts of money to bring natural gas to market can say what is most feasible. By all indications, there is enough natural gas on the North Slope to make several options possible.

We are encouraged by the number of groups looking at ways to make North Slope natural gas commercially viable. The ARCO-led sponsor group is spending millions on economic research to advance an Alaska LNG project. Yukon Pacific is analyzing a gas pipeline route along its permits. The Alaska Natural Gas to Liquids Company is exploring ways to adapt proven South African technologies to the Arctic. Exxon Mobile is discussing construction of a commercial gas to liquids plant, and BP Exploration has plans for a GTL pilot project. And several companies are addressing the potential of a gas sales pipeline to the Lower 48.

These could be very exciting for Alaska *if* we don't discourage companies from investing in all projects to commercialize North Slope Natural Gas. The timing couldn't be better to deliver true incentives to develop natural gas here in ALASKA. Industrialized countries worldwide recognize that natural gas will play a more prominent role in energy consumption. In fact a landmark study from the

American Gas Association entitled *Fueling the Future* says that new technologies could boost natural gas demand by 60% in the next 20 years! Is Alaska going to be poised to get a piece of that gigantic pie?

If so, we better project an image of stability, not one of taxes. As business people, we urge government to leave the economics of business-to-business people. We urge you to carry out your constitutional duty to have the state "encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest." Additional taxes serves to discourage development, leaving Alaska vulnerable to loss of potential investors and future state revenues.

Walter J. Hickel

Box 101700
Anchorage, Alaska 99510-1700
907-276-7400

April 4, 2000

Representative Jim Whittaker, Chairman
House Special Committee on Oil and Gas
Alaska State Capitol
Juneau, AK

BY FAX (907) 465-2070

Dear Jim,

I would like to congratulate you and the Committee for giving serious consideration to additional incentives the State of Alaska can offer its leaseholders to commercialize Alaska North Slope Natural Gas.

As I see it, the state has three major options as an owner:

- It can work with the producers and pipeline companies to promote gas sales. It should do this by continuing the state offices abroad, supporting the property tax exemption option proposed by the Mayor's group, and otherwise working to improve project economics and market interest.
- It can take back the gas interest if it determines the gas producers are not fulfilling their leasehold commitment. I considered this option as Governor with the Point Thompson leases, but as far as I know, the option has not been used with any of our major untapped gas fields at present.
- It can charge a tax on gas reserves that are not produced, reflecting the argument that the gas is more valuable "in the ground" than "in the market" in competition with supplies leaseholders sell from other areas.

Your bill, HB 399, puts the third option in place and strengthens the second option. I hope a reserve tax never needs to be used, but it is high time – given the fact gas was discovered over 30 years ago – that the option is there. Other nations have much stronger "disincentives" to a lack of production, and I believe that is part of the reason producers put us off as an option for the Asia marketplace.

With best regards,


Walter J. Hickel

Walter J. Hickel

Box 101700
Anchorage, Alaska 99510-1700
907-270-7400

April 4, 2000

Representative Jim Whittaker, Chairman
House Special Committee on Oil and Gas
Alaska State Capitol
Juneau, AK

BY FAX (907) 465-2070

Dear Jim,

I would like to congratulate you and the Committee for giving serious consideration to additional incentives the State of Alaska can offer its leaseholders to commercialize Alaska North Slope Natural Gas.

As I see it, the state has three major options as an owner:

- It can work with the producers and pipeline companies to promote gas sales. It should do this by continuing the state offices abroad, supporting the property tax exemption option proposed by the Mayor's group, and otherwise working to improve project economics and market interest.*
- It can take back the gas interest if it determines the gas producers are not fulfilling their leasehold commitment. I considered this option as Governor with the Point Thompson leases, but as far as I know, the option has not been used with any of our major untapped gas fields at present.*
- It can charge a tax on gas reserves that are not produced, reflecting the argument that the gas is more valuable "in the ground" than "in the market" in competition with supplies leaseholders sell from other areas.*

Your bill, HB 399, puts the third option in place and strengthens the second option. I hope a reserve tax never needs to be used, but it is high time – given the fact gas was discovered over 30 years ago – that the option is there. Other nations have much stronger "disincentives" to a lack of production, and I believe that is part of the reason producers put us off as an option for the Asia marketplace.

With best regards,


Walter J. Hickel



ARCO Alaska, Inc.
Post Office Box 100360
Anchorage, Alaska 99510-0360
Telephone (907) 265-6512
Facsimile (907) 265-6922

Kevin O. Meyers
President

April 4, 2000

The Honorable Jim Whitaker
Chairman, House Oil and Gas Committee
Alaska House of Representatives
State Capitol Room 13
Juneau, Alaska 99801
Via Fax (907) 465-3004

Re: HB 399 Gas Reserves Tax

Dear Representative Whitaker:

I have had the opportunity to review HB 399 as introduced as well as the draft Committee Substitute Version I that you provided late last week. ARCO Alaska, Inc. opposes both the original bill and the draft committee substitute.

This bill is a new tax on the oil industry and is not an incentive to market and sell Alaska North Slope gas. This legislation does not reduce the cost of a North Slope gas project or lessen the risk of such a project for investors. This legislation will not facilitate the entry of a North Slope gas project into the very competitive world market.

We support the AOGA testimony in opposition to this bill and look forward to the opportunity to provide ARCO Alaska's comments in more detail when public testimony is taken about this bill.

Sincerely,


Kevin O. Meyers

c: Members of House Oil and Gas Committee
Rep. Eric Croft
Alaska Oil and Gas Association



ARCO Alaska, Inc.
Post Office Box 100360
Anchorage, Alaska 99510-0360
Telephone (907) 265-6512
Facsimile (907) 265-6922

Kevin O. Meyers
President

April 4, 2000

**The Honorable Jim Whitaker
Chairman, House Oil and Gas Committee
Alaska House of Representatives
State Capitol Room 13
Juneau, Alaska 99801
Via Fax (907) 465-3004**

Re: HB 399 Gas Reserves Tax

Dear Representative Whitaker:

I have had the opportunity to review HB 399 as introduced as well as the draft Committee Substitute Version I that you provided late last week. ARCO Alaska, Inc. opposes both the original bill and the draft committee substitute.

This bill is a new tax on the oil industry and is not an incentive to market and sell Alaska North Slope gas. This legislation does not reduce the cost of a North Slope gas project or lessen the risk of such a project for investors. This legislation will not facilitate the entry of a North Slope gas project into the very competitive world market.

We support the AOGA testimony in opposition to this bill and look forward to the opportunity to provide ARCO Alaska's comments in more detail when public testimony is taken about this bill.

Sincerely,


Kevin O. Meyers

**c: Members of House Oil and Gas Committee
Rep. Eric Croft
Alaska Oil and Gas Association**



2132 RAILROAD AVE.
ANCHORAGE, AK 99501
FAX 907 278-3448
TEL 907 278-4303

April 4, 2000

Alaska State Legislature
Representative Jim Whitaker, Chair

Dear Mr. Whitaker:

As an Alaska business owner, I will not support the Natural Gas Reserves Tax HB399. This bill will only increase the risks and reduce the benefits for gas owners only. It will not achieve the common goal of commercializing North Slope gas. In my opinion the Legislature should be exploring a tax revenue option and not taxing the State's major revenue industries.

Again, I am totally opposed to this tax bill and believe that the Legislature should be committing to commercializing gas for the North Slope.

Sincerely,

Richard Faulkner
President



2132 RAILROAD AVE.
ANCHORAGE, AK 99501
FAX 907 278-3448
TEL 907 278-4303

April 4, 2000

Alaska State Legislature
Representative Jim Whitaker, Chair

Dear Mr. Whitaker:

As an Alaska business owner, I will not support the Natural Gas Reserves Tax HB399. This bill will only increase the risks and reduce the benefits for gas owners only. It will not achieve the common goal of commercializing North Slope gas. In my opinion the Legislature should be exploring a tax revenue option and not taxing the State's major revenue industries.

Again, I am totally opposed to this tax bill and believe that the Legislature should be committing to commercializing gas for the North Slope.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. Faulkner', written in a cursive style.

Richard Faulkner
President



P.O. Box 230126
Anchorage, Alaska 99523-0126
phone (907) 562-5818
fax (907) 563-4721

April 04, 2000

Representative Jim Whitaker, Oil & Gas Committee
Alaska State Legislature
State Capitol
Juneau, Alaska 99801-1182

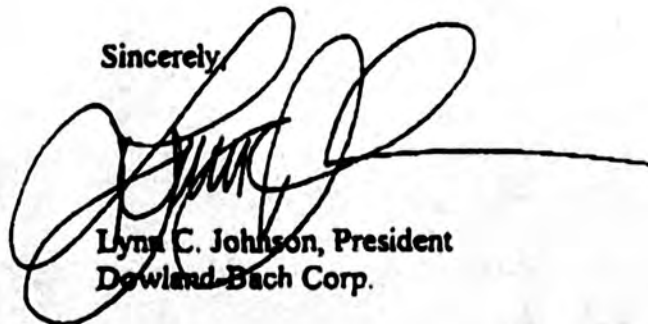
Dear Mr. Chairman:

I am writing to you today in order to express my opinion on HB 399. This bill, from my viewpoint, is a very negative bill which will discourage investment in Alaska in the long run. The bill is presented as an "incentive" but in reality is very strong disincentive because it is a tax on undeveloped gas reserves on the North Slope.

As majority owner and president of a company that does a great deal of business with the major oil producers in Alaska and other worldwide locations, I hate to see new taxes implemented which clearly state that Alaska is not a good place to do business. In the long run, with oil and gas being strictly a commodity, producers will look elsewhere to do business, thus hurting businesses like mine who depend on these customers and their building of systems and buying of components in Alaska.

In summary, I would urge you to bury HB 399 in committee and have no further hearings on this bill. A gas reserves tax such as this one will strongly discourage investment in Alaska, and will not encourage commercialization of North Slope gas reserves. Thank you for considering my opinion and please call if I can answer an questions on this or any other issue.

Sincerely,



Lynn C. Johnson, President
Dowland-Bach Corp.

■ ■
DOWLAND-BACH

db

P.O. Box 230126
Anchorage, Alaska 99523-0126
phone (907) 562-5818
fax (907) 563-4721

April 04, 2000

Representative Jim Whitaker, Oil & Gas Committee
Alaska State Legislature
State Capitol
Juneau, Alaska 99801-1182

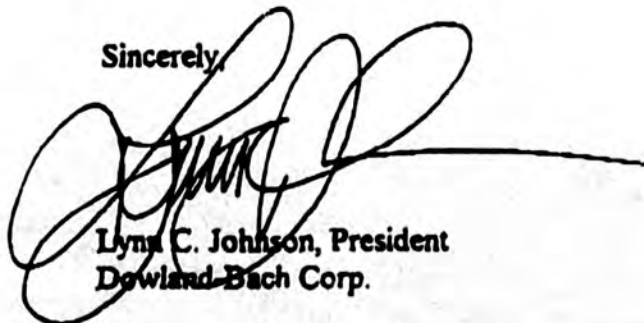
Dear Mr. Chairman:

I am writing to you today in order to express my opinion on HB 399. This bill, from my viewpoint, is a very negative bill which will discourage investment in Alaska in the long run. The bill is presented as an "incentive" but in reality is very strong disincentive because it is a tax on undeveloped gas reserves on the North Slope.

As majority owner and president of a company that does a great deal of business with the major oil producers in Alaska and other worldwide locations, I hate to see new taxes implemented which clearly state that Alaska is not a good place to do business. In the long run, with oil and gas being strictly a commodity, producers will look elsewhere to do business, thus hurting businesses like mine who depend on these customers and their building of systems and buying of components in Alaska.

In summary, I would urge you to bury HB 399 in committee and have no further hearings on this bill. A gas reserves tax such as this one will strongly discourage investment in Alaska, and will not encourage commercialization of North Slope gas reserves. Thank you for considering my opinion and please call if I can answer any questions on this or any other issue.

Sincerely,



Lynn C. Johnson, President
Dowland-Bach Corp.



ELECTRIC SUPPLY

3360 TRAILER ROAD FAIRBANKS, ALASKA 99709
PH: (907) 474-2075 FAX: (907) 474-2076

April 4, 2000

RE: HB399 Natural Gas Reserves Tax

Dear Representative Jim Whitaker,

It has come to my attention that a hearing by the House Oil & Gas Committee is meeting today to discuss the passage of HB399, Natural Gas Reserves Tax Bill. The passage of this bill would significantly put an unnecessary economic burden on these companies. At the present time it seems redundant to develop this resource and be forced into being taxed for a resource that is not currently needed and not yet economically viable.

Is it economically sound to force companies to spend millions of dollars to commercialize this resource when it has been found that to do so, would be more costly then the benefits received? There will come a time when technology will afford us the expertise to not only develop this resource but also to make it profitable to all. This is not the time. Instead we should be considering incentives to develop the North Slope gas.

I urge all involved in this HB399, to weigh the costs and the potentially damaging effect it can have on Alaska, to these companies, and to the people that live here.

Sincerely,

A handwritten signature in cursive script, reading 'Nancy Trunnell'.

Nancy Trunnell
Manager



ELECTRIC SUPPLY

3350 TRAILER ROAD FAIRBANKS, ALASKA 99709
PH: (907) 474-2075 FAX: (907) 474-2076

April 4, 2000

RE: HB399 Natural Gas Reserves Tax

Dear Representative Jim Whitaker,

It has come to my attention that a hearing by the House Oil & Gas Committee is meeting today to discuss the passage of HB399, Natural Gas Reserves Tax Bill. The passage of this bill would significantly put an unnecessary economic burden on these companies. At the present time it seems redundant to develop this resource and be forced into being taxed for a resource that is not currently needed and not yet economically viable.

Is it economically sound to force companies to spend millions of dollars to commercialize this resource when it has been found that to do so, would be more costly then the benefits received? There will come a time when technology will afford us the expertise to not only develop this resource but also to make it profitable to all. This is not the time. Instead we should be considering incentives to develop the North Slope gas.

I urge all involved in this HB399, to weigh the costs and the potentially damaging effect it can have on Alaska, to these companies, and to the people that live here.

Sincerely,

A handwritten signature in cursive script that reads 'Nancy Trunnell'.

Nancy Trunnell
Manager

*not offered—
no second hearing in O&G*

Discontinued 4/4

1-LS1474VL.1
Chenoweth
4/4/00

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 399(O&G), Draft Version "I"

1 Page 1, line 1, following "on":

2 Insert "certain"

3 Page 8, following line 19:

4 Insert a new bill section to read:

5 "* Sec. 5. The uncodified law of the State of Alaska is amended by adding a new section
6 to read:

7 LESSEE AUTHORIZED TO SURRENDER LEASE. To avoid liability under
8 AS 43.58, added by sec. 4 of this Act, for payment of the tax on certain proven North Slope
9 gas reserves, a lessee who owns gas subject to the provisions of AS 43.58 may, consistent
10 with the regulations adopted by the Department of Natural Resources under authority of
11 AS 38.05.020 relating to surrenders of rights in land held under lease, surrender the lessee's
12 rights under the lease to the Department of Natural Resources if the lessee surrenders the
13 rights no later than December 31, 2002, and complies with all applicable requirements of the
14 department's regulations and of the lease that relate to surrender of the lessee's rights in it."

15 Renumber the following bill sections accordingly.

16 Page 8, line 23:

17 Delete "sec. 9"

18 Insert "sec. 10"

19 Page 9, line 4:

20 Delete "sec. 10"

21 Insert "sec. 11"

1 Page 9, line 5:

2 Delete "sec. 5"

3 Insert "sec. 6"

4 Page 9, line 10:

5 Delete "sec. 5"

6 Insert "sec. 6"

7 Page 9, line 14:

8 Delete "SECS. 5 AND 6"

9 Insert "SECS. 6 AND 7"

10 Page 9, line 27:

11 Delete "sec. 5"

12 Insert "sec. 6"

13 Page 9, line 29:

14 Delete "sec. 6"

15 Insert "sec. 7"

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 399(O&G), Draft Version "I"

1 Page 1, line 1, following "on":

2 Insert "certain"

3 Page 4, line 18, following "reserves":

4 Insert "except gas from a lease that before, on, or after the effective date of this
5 section is determined to be necessary for reinjection into a reservoir in the course of enhanced
6 recovery operations ordered or approved by the Alaska Oil and Gas Conservation
7 Commission in accordance with AS 31.05.030 and regulations adopted under authority of that
8 section"

CORRECTION

**THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION**



Rev. 6/98

Central Microfilm Services
Department of Education & Early Development
State of Alaska

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 399(O&G), Draft Version "I"

1 **Page 1, line 1, following "on":**

2 **Insert "certain"**

3 **Page 4, line 18, following "reserves":**

4 **Insert "except gas from a lease that before, on, or after the effective date of this**
5 **section is determined to be necessary for reinjection into a reservoir in the course of enhanced**
6 **recovery operations ordered or approved by the Alaska Oil and Gas Conservation**
7 **Commission in accordance with AS 31.05.030 and regulations adopted under authority of that**
8 **section"**

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 399(O&G), Draft Version "I"

1 **Page 1, line 1, following "on":**

2 **Insert "certain"**

3 **Page 4, line 18, following "reserves":**

4 **Insert "except gas from a lease that before, on, or after the effective date of this**
5 **section is determined to be necessary for consumption or use in production operations for the**
6 **lease or that is to be sold or otherwise transferred by the lessee to another producer for**
7 **consumption or use in production operations involving North Slope oil and gas production**
8 **facilities"**

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 399(O&G), Draft Version "I"

1 Page 1, line 4:

2 Delete "stranded gas"

3 Page 3, line 12:

4 Delete "stranded gas, as that term is defined in AS 43.82.900,"

5 Insert "produced from the lease and delivered, in good and merchantable
6 condition and pipeline quality, on the lease or at another mutually agreed location"

7 Page 3, line 18:

8 Delete "stranded gas, as that term is defined in AS 43.82.900,"

9 Insert "produced from the lease and delivered, in good and merchantable
10 condition and pipeline quality, on the lease or at another mutually agreed location"

11 Page 4, line 8:

12 Delete "stranded"

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 399(O&G), Draft Version "I"

1 Page 4, line 2:

2 Delete "an arms-length"

3 Insert "a"

4 Page 4, line 3:

5 Delete "producer or producers if the agreement or agreements do not constitute

6 a related party transaction under generally accepted accounting principles"

7 Insert "lessee or lessees"



REPRESENTATIVE ERIC CROFT

Memorandum

To: Jack Chenoweth

CC: Rep. Jim Whitaker *JW*

From: Rep. Croft *EC*

Date: 03/24/00

Re: HB 399 changes

Here are some changes to HB 399 that we would like in a blank committee CS form.

- 1) ~~Let us eliminate the billion-dollar hammer and base it on a flat rate based on volume. \$.20/MCF~~ *.02/MCF*
- 2) ~~Page 3, line 3 and have it read like this:~~
~~"The provisions of this chapter apply to natural gas in place from state leases in a recognized oil and gas unit reserves over 1 trillion cubic feet"~~
- 3) Delete definition of North Slope since no other reserve has a trillion cubic feet
- 4) Page 7, line 6 after "technology" insert "as determined by the AOGCC"
- 5) Take out the references to the commissioners.
 Page 7, line 10 delete "the commissioner of natural resources of natural resources certifies"
 Page 7, line 21, delete "the commissioner of labor and workforce development certifies"
- 6) Page 7, line 11, change 500,000,000,000 to 650,000,000,000.

LARRY & Jim,
LET ME KNOW WHAT YOU THINK
This shall be known as
new Sec. Nat Gas Pipeline
West Act of 2000 *EC*

Subject: Questions re draft CSHB 399 ()

Date: Fri, 24 Mar 2000 16:47:22 -0900

From: Jack Chenoweth <Jack_Chenoweth@legis.state.ak.us>

Organization: Alaska State Legislature

To: Sam Shepard <Sam_Shepard@legis.state.ak.us>

>From the instructions that you faxed:

1. What is a "recognized oil and gas unit reserve"? "Recognized by whom"? Are you talking about leases that have been unitized that, after unitization, hold at least 1 trillion cubic feet of gas?
2. Do you know for certain that the AOGCC makes the determination set out in page 7, lines 4 - 6? I think they don't. I had this exchange earlier this session with another legislator and he chose to abandon the idea, as I recall. Do you have other information casting light on the ability of the AOGCC to make this kind of determination?
3. If the references to "commissioner(s)" in bill sections 3 and 4 are omitted, it is substantially less certain that the conditions that trigger the taking effect of bill section 2 have occurred. What is the objection to leaving references to them in?
4. I assume that, in the draft, every place that "North Slope" appears--not just the definition--the reference comes out. Any thoughts on what is to be substituted, or is that left to my discretion?

Alaska State Legislature

House Special Committee on Oil & Gas

State Capitol
Room 13
Juneau, AK. 99801-1182



Phone (907) 465-3004
Fax (907) 465-2070

MEMORANDUM

TO: Representative Bill Hudson
FROM: Representative Jim Whitaker
DATE: March 29, 2000
RE: HB399 AK. Natural Gas Pipeline Incentive Act

Bill,
I am requesting that you schedule HB 399, *Alaska Natural Gas Pipeline Incentive Act*, for hearing before the House Resources Committee as soon as possible, pending referral in House Oil and Gas.

It is scheduled for hearing in Oil and Gas, Tuesday, April 4, 2000. In the event this bill is passed out of committee on that day, I would appreciate it if the Resources Committee could have it scheduled for hearing on Wednesday the 5th, or Friday the 7th of April, pending referral.

Thank you,
Jim

A handwritten signature, likely of Jim Whitaker, consisting of a stylized 'J' and 'W'.

Chairman: Representative Jim Whitaker
Committee Members:
Representatives Fred Dyson • Gail Phillips • Brian Porter • Joe Green • John Harris
• Allen Kemplen • Tom Brice • Hal Smalley



REPRESENTATIVE ERIC CROFT

Memorandum

TO: House Chief Clerk
FROM: Rep. Eric Croft 
Rep. Jim Whitaker, Chair,
House Oil & Gas Committee

DATE: 3/29/00
RE: Noticing of HB 399

This is to notify you of the change in short title for noticing of HB 399 for next week in House Oil & Gas Committee. Since the bill will not function in the same way and another draft will be adopted immediately, the House Oil & Gas Committee will be noticing it as "The Alaska Natural Gas Pipeline Incentive Act of 2000" with my permission. Legislative Legal sees no problem in this since the new short title will accurately reflect the bill.

Alaska State Legislature

House Special Committee on Oil & Gas

State Capitol
Room 13
Juneau, AK. 99801-1182



Phone (907) 465-3004
Fax (907) 465-2070

MEMORANDUM

TO: Jack Chenoweth
FROM: Jim Whitaker by Lori Backes
DATE: March 29, 2000
RE: CS for HB399 *incorporated into 1-LS1474-H*

Jack,

Please make the following changes to work draft "G" CS HB399 and incorporate them into an Oil and Gas Committee Substitute:

1. Title: page 1, line 1 - delete "ad valorem" so the title reads "An Act levying and collecting a tax on North Slope natural gas...."
2. Page 1, line 4 - insert the word ", renewal" between "issuance" and "or extension" (*if appropriate. Please comment if you believe it is not an appropriate or needed inclusion*)
3. Page 3, line 13, delete "buyer" and insert "bona fide purchaser"
4. Page 3, line 20, delete "buyer" and insert "bona fide purchaser"
5. Page 4, line 1 - Delete all language from (1) up to and including all of line 4, and insert the language, "(1) a "qualified bona fide purchaser" is a public or private entity that enters into an arms-length gas purchase agreement or agreements with a producer or producers; provided such agreement or agreements do not constitute a related party transaction under generally accepted accounting principles; and provided further that the public or private entity has obtained the requisite rights-of-way, licenses and permits to construct and operate a natural gas transmission system."
6. Page 4, line 5 - Delete "buyers" and insert "bona fide purchasers"
7. Page 4, line 7 - Delete "buyer" and insert "bona fide purchaser"

Chairman: Representative Jim Whitaker

Committee Members:

Representatives Fred Dyson • Gail Phillips • Brian Porter • Joe Green • John Harris
• Allen Kemplen • Tom Brice • Hal Smalley

8. Page 4, line 10 - Delete "Ad valorem", so the line reads, "Sec. 43.58.210. Tax on certain proven gas reserves by volume" (Rep. Croft wants this to read so that the tax is on the volume not the value. If possible, use the latin term for "by volume" in this line as opposed to the english term "by volume".

9. Page 4, line 13 - Delete "the greater of"

10. Page 4, line 14 - Delete "0.20" and insert "\$0.02", and delete "or"

11. Page 4, line 15 - Delete all language from "(2)...- line 17, "year."

Also, please add Rep. Whitaker as a co-prime sponsor of the bill, so the sponsor(s): reads "Representative(s) Croft, Whitaker"

I need this immediately, Reps. Croft and Whitaker are working on it this afternoon. Thank You so much for your great work, and if you have any questions, I will be at ext. 2283. If I am unreachable, please contact Sam in Rep. Croft's office at ext. 4998.

Thanks!
Lori

Chairman: Representative Jim Whitaker
Committee Members:
Representatives Fred Dyson • Gail Phillips • Brian Porter • Joe Green • John Harris
• Allen Kemplen • Tom Brice • Hal Smalley

Re: HB399

Subject: Re: HB399

Date: Wed, 29 Mar 2000 13:24:09 -0900

From: Jack Chenoweth <Jack_Chenoweth@legis.state.ak.us>

Organization: Alaska State Legislature

To: Lori Backes <Lori_Backes@legis.state.ak.us>

Memo, request #2: Insertion of "renewal" isn't appropriate because the provision being amended, AS 38.05.180(m), in bill sec. 3, only speaks in terms of "automatic extension" and "issu[ance]." AS 38.05.180 doesn't use "renew" or "renewal."

Memo, request #8: I'll simply delete the "ad valorem." I don't know that there is a Latin term for "by volume" that attaches to a tax.

Memo, request # 10: You're sure it's to be 2 cents (\$ 0.02) and not 20 cents (\$ 0.20)??

Last request of memo: *I can't* add bill sponsors after introduction and can't add co-prime sponsors unless the bill is a prefile. As a matter of practice in each body, additions of co-sponsors can only be done on motion during a floor session, usually, though not always, in conjunction with consideration of the bill or maybe under special orders.

Lori Backes wrote:

Here are the changes requested for HB 399. I know there may be a process by which we need to change to a "co-prime sponsorship", and if you have concerns of doing it in this draft, please let me know.
Lori

Name: CS399 chen memo.doc
CS399 chen memo.doc Type: Winword File (application/msword)
Encoding: base64
Download Status: Not downloaded with message

Alaska State Legislature

Representative Jim Whitaker

Session

Capitol Building, Room 13
Juneau, Alaska 99801
Phone: (907) 465-3004
Fax: (907) 465-2070

**Interim**

119 N. Cushman St. Suite 101
Fairbanks, AK 99701
Phone: (907) 452-1088
Fax: (907) 452-1146

Memorandum

To: Jack Chenoweth
From: Lori Backes for Rep. Whitaker
Date: March 31, 2000
Re: Request for sectional analysis

Jack,

Please provide a sectional analysis of work draft 1-LS1474I of HB 399. It will be heard by the House Special Committee on Oil and Gas, Tuesday, April 4th at 5 p.m., I would appreciate it very much if I could have that by Monday noon to include in members' packets.

Thank you,
Lori

1-LS1474H
Chenoweth
3/29/00

CS FOR HOUSE BILL NO. 399()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - SECOND SESSION

BY

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVE CROFT

A BILL

FOR AN ACT ENTITLED

1 "An Act levying and collecting a tax on North Slope natural gas in place if
2 certain requirements relating to its sale and delivery are not met, and imposing
3 a limit on the Department of Natural Resources that relates to the issuance or
4 extension of oil and gas leases containing natural gas that is stranded gas
5 capable of production in paying quantities; and providing for an effective date."

6 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

7 * **Section 1.** The uncoded law of the State of Alaska is amended by adding a new
8 section to read:

9 **SHORT TITLE.** This Act may be known as the Alaska Natural Gas Pipeline Incentive
10 Act of 2000.

11 * **Sec. 2.** The uncoded law of the State of Alaska is amended by adding a new section
12 to read:

13 **LEGISLATIVE FINDINGS AND INTENT.** (a) The legislature finds that

1 (1) art. VIII, sec. 1, Constitution of the State of Alaska, provides that it is the
2 policy of the state to encourage the settlement of its land and the development of its resources
3 by making them available for maximum use consistent with the public interest;

4 (2) art. VIII, sec. 2, Constitution of the State of Alaska, requires the legislature
5 to provide for the utilization, development, and conservation of all natural resources belonging
6 to the state, including land and waters, for the maximum benefit of its people;

7 (3) the production and sale of oil and gas from state land is an important
8 source of revenue to the state and of job opportunities for all the people of the state;

9 (4) natural gas located on the North Slope is a valuable resource to the state
10 that has not been produced for sale in the market place, nor made available for in-state
11 utilization by the people of the state;

12 (5) the in-state utilization of North Slope natural gas will provide a more
13 economic and environmentally acceptable source of energy for the people of Alaska;

14 (6) the amount of natural gas located on the North Slope is substantial and, if
15 sold, will generate significant revenue to the state and opportunities and benefits to its people
16 for many years;

17 (7) in order to facilitate the commercialization of North Slope natural gas, it
18 is necessary to provide an incentive to ensure that the cost to North Slope producers not to
19 commercialize, delay commercialization, or inhibit commercialization of North Slope natural
20 gas is prohibitive; and

21 (8) a policy of noncommercialization, delaying commercialization, or inhibiting
22 commercialization, when commercialization is economically feasible, is contrary to the spirit
23 and intent of art. VIII, secs. 1 and 2, Constitution of the State of Alaska.

24 (b) The intent of this Act is to

25 (1) provide the people of the state the maximum benefit possible through
26 extraction of natural resources, as required by the Constitution of the State of Alaska;

27 (2) foster and promote the long-term economic growth and development of the
28 state;

29 (3) establish a means by which the state can facilitate the availability for in-
30 state consumption and utilization of North Slope natural gas by the people of Alaska;

31 (4) establish a means by which the state can facilitate the commercialization

1 of North Slope natural gas.

2 * Sec. 3. AS 38.05.180(m) is amended to read:

3 (m) An oil and gas lease must cover a reasonably compact area not exceeding
4 5,760 acres, and may be for a maximum period of 10 years, except that the
5 commissioner may issue a lease for a period not less than five years upon a finding
6 that it is in the best interests of the state. An oil and gas lease shall be automatically
7 extended if and for so long thereafter as oil or gas is produced in paying quantities
8 from the lease or if the lease is committed to a unit approved by the commissioner,
9 but the commissioner shall deny an automatic extension of the lease and may not
10 extend the lease unless the lessee agrees to an amendment of the lease to include
11 a provision by which the lessee is required to contract to sell the gas that is
12 stranded gas, as that term is defined in AS 43.82.900, to a qualified bona fide
13 purchaser. A lease issued under this section covering land on which there is a well
14 capable of producing oil or gas in paying quantities does not expire because the lessee
15 fails to produce oil or gas unless the lessee is allowed reasonable time to place the
16 well on a producing status. A lease issued under this section on which there is a
17 well capable of producing oil or gas in paying quantities must include a provision
18 by which the lessee is required to contract to sell the gas that is stranded gas, as
19 that term is defined in AS 43.82.900, to a qualified bona fide purchaser. Upon
20 extension, the commissioner may increase lease rentals so long as the increased rental
21 rate does not exceed 150 percent of the rate for the preceding year. If drilling has
22 commenced on the expiration date of the primary term of the lease and is continued
23 with reasonable diligence, including such operations as redrilling, sidetracking, or other
24 means necessary to reach the originally proposed bottom hole location, the lease
25 continues in effect until 90 days after drilling has ceased and for so long thereafter as
26 oil or gas is produced in paying quantities. An oil and gas lease issued under this
27 section that [WHICH] is subject to termination by reason of cessation of production
28 does not terminate if, within 60 days after production ceases, reworking or drilling
29 operations are commenced on the land under lease and are thereafter conducted with
30 reasonable diligence during the period of nonproduction. For purposes of this
31 subsection,

1 (1) a "qualified bona fide purchaser" is a public or private entity
2 that enters into an arms-length gas purchase agreement or agreements with a
3 producer or producers if the agreement or agreements do not constitute a related
4 party transaction under generally accepted accounting principles and if the public
5 or private entity has obtained the requisite rights-of-way, licenses, and permits to
6 construct and operate a natural gas transmission system; and

7 (2) if two or more qualified bona fide purchasers offer to purchase
8 the stranded gas, the commissioner shall issue or extend the lease only if the lessee
9 enters into an agreement with the qualified bona fide purchaser that provides the
10 greatest long-term return to the state.

11 * Sec. 4. AS 43.58 is amended by adding new sections to read:

12 Sec. 43.58.210. Tax on certain proven gas reserves. (a) An annual tax is
13 levied each calendar year on the full and true value of taxable property under this
14 chapter.

15 (b) The annual rate of levy is 2 cents per 1,000 cubic feet.

16 Sec. 43.58.220. Property subject to tax. The provisions of this chapter apply
17 to natural gas in place from all state leases on the North Slope having proven gas
18 reserves.

19 Sec. 43.58.230. Assessment; full and true value. (a) The department shall
20 assess taxable property under this chapter to the owner of it at its full and true value
21 as of January 1 of each year.

22 (b) The full and true value of taxable property under this chapter is the
23 estimated price that the taxable property would bring in an open market and under the
24 then prevailing market conditions in a sale between a willing seller and a willing buyer
25 both conversant with the property and with prevailing values. In determining the full
26 and true value of taxable property, the department shall consider all factors that may
27 be known by the department to affect the value of taxable property, including the
28 discounted present value of the expected future net income from the taxable property.

29 Sec. 43.58.240. Assessment roll. The department shall prepare annually the
30 assessment roll for taxation under this chapter. The roll must contain

31 (1) a description of all taxable property;

- 1 (2) the assessed value of all taxable property; and
2 (3) the names and addresses of persons owning or otherwise holding
3 an interest in taxable property.

4 **Sec. 43.58.250. Assessment notice.** On or before April 15 of each year, the
5 department shall send to every owner of taxable property subject to levy and collection
6 of taxes under this chapter named in the assessment roll a notice of assessment
7 showing the assessed value of the property. The notice of assessment is effective on
8 the date of its mailing.

9 **Sec. 43.58.260. Appeal.** (a) A person aggrieved by the action of the
10 department in making an assessment may appeal that action and obtain a hearing upon
11 its validity before the department by filing written objections to the assessment not
12 later than 20 days after the effective date of the assessment notice.

13 (b) The procedures for conduct of the hearing and preliminary activities to it
14 shall be in accordance with AS 44.62.350, 44.62.430, 44.62.450, 44.62.460, 44.62.480,
15 44.62.500 - 44.62.550, 44.62.590, and 44.62.610 - 44.62.640. For the purposes of this
16 section, the term "respondent" used in those sections shall be considered to include the
17 person aggrieved by action of the department. The department shall provide by
18 regulation for notices of hearing under this section to interested persons. At the
19 hearing, the appellant bears the burden of proof. In the absence of this proof, the
20 assessment is to be upheld by the department. If the department, after hearing,
21 determines that a correction of the assessment is warranted, the department shall
22 correct the assessment and the assessment roll.

23 (c) Within 30 days after the decision by the department following the hearing,
24 a person aggrieved by that decision may appeal to the superior court.

25 **Sec. 43.58.270. Certification.** On or before June 15 of each year, the
26 department shall certify the final assessment roll and mail to the owner, operator, or
27 other person filing a return and paying tax on the taxable property a statement of the
28 amount of tax due.

29 **Sec. 43.58.280. Supplemental assessment rolls.** The department shall include
30 property omitted from the assessment roll on a supplemental roll, using the procedures
31 set out in AS 43.58.230 - 43.58.250 and 43.58.290 - 43.58.300 for the original roll.

1 **Sec. 43.58.290. Investigation.** (a) The department may make an investigation
2 of property on which a return has been filed or on property for which a return has not
3 been filed. In either case, the department shall make its own valuation of the taxable
4 property, which is prima facie evidence of the property's full and true value.

5 (b) An employee or agent of the department may enter any premises necessary
6 for the investigation during reasonable hours and may examine property and other
7 appropriate records. The owner of taxable property, upon request, shall furnish to the
8 employee or agent of the department reasonable assistance required for the
9 investigation. If an employee or agent of the department seeking to enter any premises
10 necessary for an investigation under this section or to obtain reasonable assistance
11 required for an investigation under this section is refused entry or assistance, the
12 superior court may, after reasonable notice to and hearing of the owner, order the
13 owner to allow the entry or to furnish the assistance.

14 (c) For the purpose of the investigation of property, the owner, operator, or
15 other person filing a return and paying the tax on the taxable property or a
16 representative may be required to appear for examination under oath by the
17 department.

18 **Sec. 43.58.300. Returns and payment of tax.** (a) A return of taxable
19 property shall be submitted on or before February 1 on the form prescribed by the
20 department based on property values existing on January 1 of each calendar year,
21 except as otherwise provided in this chapter. The return shall be submitted by

22 (1) a person who is the owner of the property, or who controls that
23 property as agent, or on account of any other person;

24 (2) a guardian or other person who has charge of taxable property
25 belonging to a minor or other person;

26 (3) the trustee of a trust estate holding taxable property in trust for the
27 benefit of another person;

28 (4) the executor or administrator of a deceased person's estate that
29 includes taxable property;

30 (5) the receiver of a corporation who has its assets in hand.

31 (b) The person required to submit the return specified under (a)(1) of this

1 section is primarily liable for payment of the tax levied by this chapter. The persons
2 or estates specified in (a)(2) - (5) of this section in whose behalf the tax levied by this
3 chapter is to be paid are secondarily liable for payment of the tax. With the written
4 approval of the department, an operator or nonoperator of the lease or property may
5 submit returns or make payment of the tax levied under this chapter on behalf of the
6 operator or nonoperator and other persons as the department may approve.

7 (c) The tax levied under this chapter is payable to the department on or before
8 June 30 of each year or in installments at the times and under the conditions of the
9 department may by regulation require.

10 (d) With the prior written approval of the department, a person submitting
11 returns or making payments as required under this chapter for more than one taxable
12 property may regard the leases or properties as a single taxable property for purposes
13 of submitting those reports or making those payments.

14 (e) A person making payment of the tax levied under this chapter on behalf
15 of one or more other persons owning or otherwise holding an interest in a taxable
16 property may withhold a proportionate share of the payment from any proceeds or
17 other benefits from the taxable property owed to any person on whose behalf the
18 payment is made. Unless otherwise specifically provided by written contract or
19 agreement, the person so withholding a proportionate share of the tax levied under this
20 chapter incurs no liability to those from whom it is withheld by virtue of having made
21 the withholding.

22 (f) The department may, by written notice, require a person filing a return to
23 submit additional information to the department no later than 30 days after the notice.

24 **Sec. 43.58.310. Remedy.** The remedy of distraint on property set out in
25 AS 43.20.270 applies to the tax, penalty, and interest levied by this chapter.

26 **Sec. 43.58.320. Regulations.** The department may adopt regulations in
27 accordance with AS 44.62 (Administrative Procedure Act) as appropriate to administer
28 and enforce this chapter.

29 **Sec. 43.58.395. Definitions.** In this chapter,

30 (1) "gas" and "natural gas" have the meanings given to "gas" in
31 AS 43.55.900;

(2) "lease or property" means any right, title, or interest in or the right to produce or recover gas, including

(A) a mineral interest;

(B) a leasehold interest;

(C) a working interest, a royalty interest, an overriding royalty interest, production payment, net profit interest, or any other interest in a lease, concession, joint venture, or other agreement for gas exploration, development, or production;

(D) a working interest, a royalty interest, an overriding royalty interest, production payment, net profit interest, or any other interest in an agreement for unitization or pooling under provisions of 26 U.S.C. 614(b)(3) (Internal Revenue Code);

(3) "North Slope" means the area of Alaska lying north of 68 degrees North latitude;

(4) "operator" means the person conducting the exploration, development, or production operation for a lease or property;

(5) "proven gas reserves" means the volume of gas in a known deposit that geological and engineering information indicates is recoverable in the future under prevailing economic conditions and technology.

* Sec. 5. The uncoded law of the State of Alaska is amended by adding a new section to read:

CONDITIONAL EFFECT OF SECTION 4 OF THIS ACT. Section 4 of this Act takes effect under sec. 9 of this Act unless, no later than December 31, 2002, not less than 650,000,000,000 cubic feet of North Slope natural gas, as that term is defined in AS 43.58.395, added by sec. 4 of this Act, that is undeveloped on the effective date of this section, is annually committed by contract for sale and timely delivery as commercially marketable gas, not for enhanced recovery operations, for a contract term of at least 20 years, with delivery scheduled to begin no later than December 31, 2008.

* Sec. 6. The uncoded law of the State of Alaska is amended by adding a new section to read:

CONDITIONAL EFFECT OF SECTION 4 OF THIS ACT. Section 4 of this Act takes

1 effect under sec. 10 of this Act

2 (1) if, under sec. 5 of this Act, the provisions of AS 43.58.210 - 43.58.395 did
3 not take effect; and

4 (2) unless, no later than December 31, 2008, the cubic feet of North Slope
5 natural gas, as that term is defined in AS 43.58.395, added by sec. 4 of this Act, that is
6 undeveloped on the effective date of this section, that has been committed by contract for sale
7 and timely delivery as commercially marketable gas as required by sec. 5 of this Act is
8 deliverable as provided by the appropriate terms of the contract.

9 * Sec. 7. The uncoded law of the State of Alaska is amended by adding a new section
10 to read:

11 ENFORCEMENT OF PROVISIONS OF SECS. 5 AND 6 OF THIS ACT. On or after
12 January 1, 2003, any qualified voter may apply to the superior court to compel the superior
13 court, by mandamus or otherwise, to require the commissioner of revenue to perform the
14 duties of the commissioner under AS 43.58.210 - 43.58.395, added by sec. 4 of this Act, if
15 sec. 4 of this Act has taken effect.

16 * Sec. 8. The uncoded law of the State of Alaska is amended by adding a new section
17 to read:

18 CONDITIONAL DELETION OF REFERENCES TO MATERIAL ENACTED BY
19 SECTION 4 OF THIS ACT. If, before January 2, 2009, the provisions of AS 43.58.210 -
20 43.58.395 have not taken effect, the revisor of statutes shall delete from the Alaska Statutes
21 references to the following sections added by sec. 4 of this Act: AS 43.58.210, 43.58.220,
22 43.58.230, 43.58.240, 43.58.250, 43.58.260, 43.58.270, 43.58.280, 43.58.290, 43.58.300,
23 43.58.310, 43.58.320, and 43.58.395.

24 * Sec. 9. If, under sec. 5 of this Act, sec. 4 of this Act takes effect, it takes effect
25 January 1, 2003.

26 * Sec. 10. If, under sec. 6 of this Act, sec. 4 of this Act takes effect, it takes effect
27 January 1, 2009.

1-LS1474\G
Chenoweth
3/28/00

CS FOR HOUSE BILL NO. 399()

**IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIRST LEGISLATURE - SECOND SESSION**

BY

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVE CROFT

A BILL

FOR AN ACT ENTITLED

1 "An Act levying and collecting an ad valorem tax on North Slope natural gas
2 in place if certain requirements relating to its sale and delivery are not met, and
3 imposing a limit on the Department of Natural Resources that relates to the
4 issuance or extension of oil and gas leases containing natural gas that is
5 stranded gas capable of production in paying quantities; and providing for an
6 effective date."

7 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

8 * Section 1. The uncoded law of the State of Alaska is amended by adding a new
9 section to read:

10 **SHORT TITLE.** This Act may be known as the Alaska Natural Gas Pipeline Incentive
11 Act of 2000.

12 * Sec. 2. The uncoded law of the State of Alaska is amended by adding a new section
13 to read:

1 LEGISLATIVE FINDINGS AND INTENT. (a) The legislature finds that

2 (1) art. VIII, sec. 1, Constitution of the State of Alaska, provides that it is the
3 policy of the state to encourage the settlement of its land and the development of its resources
4 by making them available for maximum use consistent with the public interest;

5 (2) art. VIII, sec. 2, Constitution of the State of Alaska, requires the legislature
6 to provide for the utilization, development, and conservation of all natural resources belonging
7 to the state, including land and waters, for the maximum benefit of its people;

8 (3) the production and sale of oil and gas from state land is an important
9 source of revenue to the state and of job opportunities for all the people of the state;

10 (4) natural gas located on the North Slope is a valuable resource to the state
11 that has not been produced for sale in the market place, nor made available for in-state
12 utilization by the people of the state;

13 (5) the in-state utilization of North Slope natural gas will provide a more
14 economic and environmentally acceptable source of energy for the people of Alaska;

15 (6) the amount of natural gas located on the North Slope is substantial and, if
16 sold, will generate significant revenue to the state and opportunities and benefits to its people
17 for many years;

18 (7) in order to facilitate the commercialization of North Slope natural gas, it
19 is necessary to provide an incentive to ensure that the cost to North Slope producers not to
20 commercialize, delay commercialization, or inhibit commercialization of North Slope natural
21 gas is prohibitive; and

22 (8) a policy of noncommercialization, delaying commercialization, or inhibiting
23 commercialization, when commercialization is economically feasible, is contrary to the spirit
24 and intent of art. VIII, secs. 1 and 2, Constitution of the State of Alaska.

25 (b) The intent of this Act is to

26 (1) provide the people of the state the maximum benefit possible through
27 extraction of natural resources, as required by the Constitution of the State of Alaska;

28 (2) foster and promote the long-term economic growth and development of the
29 state;

30 (3) establish a means by which the state can facilitate the availability for in-
31 state consumption and utilization of North Slope natural gas by the people of Alaska;

1 (4) establish a means by which the state can facilitate the commercialization
2 of North Slope natural gas.

3 * Sec. 3. AS 38.05.180(m) is amended to read:

4 (m) An oil and gas lease must cover a reasonably compact area not exceeding
5 5,760 acres, and may be for a maximum period of 10 years, except that the
6 commissioner may issue a lease for a period not less than five years upon a finding
7 that it is in the best interests of the state. An oil and gas lease shall be automatically
8 extended if and for so long thereafter as oil or gas is produced in paying quantities
9 from the lease or if the lease is committed to a unit approved by the commissioner,
10 but the commissioner shall deny an automatic extension of the lease and may not
11 extend the lease unless the lessee agrees to an amendment of the lease to include
12 a provision by which the lessee is required to contract to sell the gas that is
13 stranded gas, as that term is defined in AS 43.82.900, to a qualified buyer. A
14 lease issued under this section covering land on which there is a well capable of
15 producing oil or gas in paying quantities does not expire because the lessee fails to
16 produce oil or gas unless the lessee is allowed reasonable time to place the well on a
17 producing status. A lease issued under this section on which there is a well capable
18 of producing oil or gas in paying quantities must include a provision by which the
19 lessee is required to contract to sell the gas that is stranded gas, as that term is
20 defined in AS 43.82.900, to a qualified buyer. Upon extension, the commissioner
21 may increase lease rentals so long as the increased rental rate does not exceed 150
22 percent of the rate for the preceding year. If drilling has commenced on the expiration
23 date of the primary term of the lease and is continued with reasonable diligence,
24 including such operations as redrilling, sidetracking, or other means necessary to reach
25 the originally proposed bottom hole location, the lease continues in effect until 90 days
26 after drilling has ceased and for so long thereafter as oil or gas is produced in paying
27 quantities. An oil and gas lease issued under this section that [WHICH] is subject to
28 termination by reason of cessation of production does not terminate if, within 60 days
29 after production ceases, reworking or drilling operations are commenced on the land
30 under lease and are thereafter conducted with reasonable diligence during the period
31 of nonproduction. For purposes of this subsection,

1 (1) a "qualified buyer" means a person that owns or operates a
2 natural gas pipeline having sufficient capacity for the transportation and the in-
3 state use of the stranded gas or sale of the stranded gas in interstate commerce
4 or for export; and

5 (2) if two or more qualified buyers offer to purchase the stranded
6 gas, the commissioner shall issue or extend the lease only if the lessee enters into
7 an agreement with the qualified buyer that provides the greatest long-term return
8 to the state.

9 * Sec. 4. AS 43.58 is amended by adding new sections to read:

10 Sec. 43.58.210. Ad valorem tax on certain proven gas reserves. (a) An
11 annual tax is levied each calendar year on the full and true value of taxable property
12 under this chapter.

13 (b) The annual rate of levy is the greater of

14 (1) 0.20 per 1,000 cubic feet; or

15 (2) a millage rate that, when applied against the full and true value of
16 the taxable property described in AS 43.58.230 - 43.58.250, yields \$1,000,000,000
17 during the tax year.

18 Sec. 43.58.220. Property subject to tax. The provisions of this chapter apply
19 to natural gas in place from all state leases on the North Slope having proven gas
20 reserves.

21 Sec. 43.58.230. Assessment; full and true value. (a) The department shall
22 assess taxable property under this chapter to the owner of it at its full and true value
23 as of January 1 of each year.

24 (b) The full and true value of taxable property under this chapter is the
25 estimated price that the taxable property would bring in an open market and under the
26 then prevailing market conditions in a sale between a willing seller and a willing buyer
27 both conversant with the property and with prevailing values. In determining the full
28 and true value of taxable property, the department shall consider all factors that may
29 be known by the department to affect the value of taxable property, including the
30 discounted present value of the expected future net income from the taxable property.

31 Sec. 43.58.240. Assessment roll. The department shall prepare annually the

1 assessment roll for taxation under this chapter. The roll must contain

2 (1) a description of all taxable property;

3 (2) the assessed value of all taxable property; and

4 (3) the names and addresses of persons owning or otherwise holding
5 an interest in taxable property.

6 **Sec. 43.58.250. Assessment notice.** On or before April 15 of each year, the
7 department shall send to every owner of taxable property subject to levy and collection
8 of taxes under this chapter named in the assessment roll a notice of assessment
9 showing the assessed value of the property. The notice of assessment is effective on
10 the date of its mailing.

11 **Sec. 43.58.260. Appeal.** (a) A person aggrieved by the action of the
12 department in making an assessment may appeal that action and obtain a hearing upon
13 its validity before the department by filing written objections to the assessment not
14 later than 20 days after the effective date of the assessment notice.

15 (b) The procedures for conduct of the hearing and preliminary activities to it
16 shall be in accordance with AS 44.62.350, 44.62.430, 44.62.450, 44.62.460, 44.62.480,
17 44.62.500 - 44.62.550, 44.62.590, and 44.62.610 - 44.62.640. For the purposes of this
18 section, the term "respondent" used in those sections shall be considered to include the
19 person aggrieved by action of the department. The department shall provide by
20 regulation for notices of hearing under this section to interested persons. At the
21 hearing, the appellant bears the burden of proof. In the absence of this proof, the
22 assessment is to be upheld by the department. If the department, after hearing,
23 determines that a correction of the assessment is warranted, the department shall
24 correct the assessment and the assessment roll.

25 (c) Within 30 days after the decision by the department following the hearing,
26 a person aggrieved by that decision may appeal to the superior court.

27 **Sec. 43.58.270. Certification.** On or before June 15 of each year, the
28 department shall certify the final assessment roll and mail to the owner, operator, or
29 other person filing a return and paying tax on the taxable property a statement of the
30 amount of tax due.

31 **Sec. 43.58.280. Supplemental assessment rolls.** The department shall include

property omitted from the assessment roll on a supplemental roll, using the procedures set out in AS 43.58.230 - 43.58.250 and 43.58.290 - 43.58.300 for the original roll.

Sec. 43.58.290. Investigation. (a) The department may make an investigation of property on which a return has been filed or on property for which a return has not been filed. In either case, the department shall make its own valuation of the taxable property, which is prima facie evidence of the property's full and true value.

(b) An employee or agent of the department may enter any premises necessary for the investigation during reasonable hours and may examine property and other appropriate records. The owner of taxable property, upon request, shall furnish to the employee or agent of the department reasonable assistance required for the investigation. If an employee or agent of the department seeking to enter any premises necessary for an investigation under this section or to obtain reasonable assistance required for an investigation under this section is refused entry or assistance, the superior court may, after reasonable notice to and hearing of the owner, order the owner to allow the entry or to furnish the assistance.

(c) For the purpose of the investigation of property, the owner, operator, or other person filing a return and paying the tax on the taxable property or a representative may be required to appear for examination under oath by the department.

Sec. 43.58.300. Returns and payment of tax. (a) A return of taxable property shall be submitted on or before February 1 on the form prescribed by the department based on property values existing on January 1 of each calendar year, except as otherwise provided in this chapter. The return shall be submitted by

(1) a person who is the owner of the property, or who controls that property as agent, or on account of any other person;

(2) a guardian or other person who has charge of taxable property belonging to a minor or other person;

(3) the trustee of a trust estate holding taxable property in trust for the benefit of another person;

(4) the executor or administrator of a deceased person's estate that includes taxable property;

1 (5) the receiver of a corporation who has its assets in hand.

2 (b) The person required to submit the return specified under (a)(1) of this
3 section is primarily liable for payment of the tax levied by this chapter. The persons
4 or estates specified in (a)(2) - (5) of this section in whose behalf the tax levied by this
5 chapter is to be paid are secondarily liable for payment of the tax. With the written
6 approval of the department, an operator or nonoperator of the lease or property may
7 submit returns or make payment of the tax levied under this chapter on behalf of the
8 operator or nonoperator and other persons as the department may approve.

9 (c) The tax levied under this chapter is payable to the department on or before
10 June 30 of each year or in installments at the times and under the conditions of the
11 department may by regulation require.

12 (d) With the prior written approval of the department, a person submitting
13 returns or making payments as required under this chapter for more than one taxable
14 property may regard the leases or properties as a single taxable property for purposes
15 of submitting those reports or making those payments.

16 (e) A person making payment of the tax levied under this chapter on behalf
17 of one or more other persons owning or otherwise holding an interest in a taxable
18 property may withhold a proportionate share of the payment from any proceeds or
19 other benefits from the taxable property owed to any person on whose behalf the
20 payment is made. Unless otherwise specifically provided by written contract or
21 agreement, the person so withholding a proportionate share of the tax levied under this
22 chapter incurs no liability to those from whom it is withheld by virtue of having made
23 the withholding.

24 (f) The department may, by written notice, require a person filing a return to
25 submit additional information to the department no later than 30 days after the notice.

26 **Sec. 43.58.310. Remedy.** The remedy of distraint on property set out in
27 AS 43.20.270 applies to the tax, penalty, and interest levied by this chapter.

28 **Sec. 43.58.320. Regulations.** The department may adopt regulations in
29 accordance with AS 44.62 (Administrative Procedure Act) as appropriate to administer
30 and enforce this chapter.

31 **Sec. 43.58.395. Definitions.** In this chapter,

(1) "gas" and "natural gas" have the meanings given to "gas" in AS 43.55.900;

(2) "lease or property" means any right, title, or interest in or the right to produce or recover gas, including

(A) a mineral interest;

(B) a leasehold interest;

(C) a working interest, a royalty interest, an overriding royalty interest, production payment, net profit interest, or any other interest in a lease, concession, joint venture, or other agreement for gas exploration, development, or production;

(D) a working interest, a royalty interest, an overriding royalty interest, production payment, net profit interest, or any other interest in an agreement for unitization or pooling under provisions of 26 U.S.C. 614(b)(3) (Internal Revenue Code);

(3) "North Slope" means the area of Alaska lying north of 68 degrees North latitude;

(4) "operator" means the person conducting the exploration, development, or production operation for a lease or property;

(5) "proven gas reserves" means the volume of gas in a known deposit that geological and engineering information indicates is recoverable in the future under prevailing economic conditions and technology.

* Sec. 5. The uncoded law of the State of Alaska is amended by adding a new section to read:

CONDITIONAL EFFECT OF SECTION 4 OF THIS ACT. Section 4 of this Act takes effect under sec. 9 of this Act unless, no later than December 31, 2002, not less than 650,000,000,000 cubic feet of North Slope natural gas, as that term is defined in AS 43.58.395, added by sec. 4 of this Act, that is undeveloped on the effective date of this section, is annually committed by contract for sale and timely delivery as commercially marketable gas, not for enhanced recovery operations, for a contract term of at least 20 years, with delivery scheduled to begin no later than December 31, 2008.

* Sec. 6. The uncoded law of the State of Alaska is amended by adding a new section

to a bona fide purchaser
qualified

1 to read:

2 **CONDITIONAL EFFECT OF SECTION 4 OF THIS ACT.** Section 4 of this Act takes
3 effect under sec. 10 of this Act.

4 (1) if, under sec. 5 of this Act, the provisions of AS 43.58.210 - 43.58.395 did
5 not take effect; and

6 (2) unless, no later than December 31, 2008, the cubic feet of North Slope
7 natural gas, as that term is defined in AS 43.58.395, added by sec. 4 of this Act, that is
8 undeveloped on the effective date of this section, that has been committed by contract for sale
9 and timely delivery as commercially marketable gas as required by sec. 5 of this Act is
10 deliverable as provided by the appropriate terms of the contract.

11 * Sec. 7. The uncoded law of the State of Alaska is amended by adding a new section
12 to read:

13 **ENFORCEMENT OF PROVISIONS OF SECS. 5 AND 6 OF THIS ACT.** On or after
14 January 1, 2003, any qualified voter may apply to the superior court to compel the superior
15 court, by mandamus or otherwise, to require the commissioner of revenue to perform the
16 duties of the commissioner under AS 43.58.210 - 43.58.395, added by sec. 4 of this Act, if
17 sec. 4 of this Act has taken effect.

18 * Sec. 8. The uncoded law of the State of Alaska is amended by adding a new section
19 to read:

20 **CONDITIONAL DELETION OF REFERENCES TO MATERIAL ENACTED BY**
21 **SECTION 4 OF THIS ACT.** If, before January 2, 2009, the provisions of AS 43.58.210 -
22 43.58.395 have not taken effect, the revisor of statutes shall delete from the Alaska Statutes
23 references to the following sections added by sec. 4 of this Act: AS 43.58.210, 43.58.220,
24 43.58.230, 43.58.240, 43.58.250, 43.58.260, 43.58.270, 43.58.280, 43.58.290, 43.58.300,
25 43.58.310, 43.58.320, and 43.58.395.

26 * Sec. 9. If, under sec. 5 of this Act, sec. 4 of this Act takes effect, it takes effect
27 January 1, 2003.

28 * Sec. 10. If, under sec. 6 of this Act, sec. 4 of this Act takes effect, it takes effect
29 January 1, 2009.

FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. HB 399

Revision Date/Time (Note if correction) _____ Dept. Affected _____ Revenue _____
Title Alaska Natural Gas Pipeline Incentive Act BRU Operations
Component Tax Division
Sponsor Representative Croft
Requester House Oil and Gas Committee Component No. 115

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()			*	*	*	*
-------------------------------	--	--	---	---	---	---

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2000) cost: _____

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The bill would create \$1 billion a year of new tax revenue to the state starting in FY 2003, but only if North Slope gas were not developed by the deadline in the legislation. No responsible estimate of state tax revenues from North Slope gas development has ever approached \$1 billion a year. Therefore, if this legislation is passed, the state's only rational course to maximize oil and gas revenue would be to block any further development of North Slope gas.

Prepared by: Dan Dickinson, Director Phone 269-1033
Division Tax Division Date/Time April 3, 2000 - 1 p.m.
Approved by: Commissioner Wilson Condon Date 04/03/2000
Agency Department of Revenue

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further distribution information, call the Governor's Legislative Office

FISCAL NOTE

**STATE OF ALASKA
2000 LEGISLATIVE SESSION**

BILL NO. HB 399

Revision Date/Time (Note if correction) _____ Dept. Affected Law
 Title *An Act levying and collecting an ad valorem tax on BRU Civil Division
North Slope natural gas in place; and providing for an effective date Component Oil, Gas, and Mining
 Sponsor Representative Croft
 Requester House Special Committee on Oil and Gas Component No. 2091

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services	304.0	304.0	304.0	304.0	304.0	304.0
Travel	1.3	1.3	1.3	1.3	1.3	1.3
Contractual	49.0	49.0	49.0	49.0	49.0	49.0
Supplies	4.9	4.9	4.9	4.9	4.9	4.9
Equipment	26.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	385.2	359.2	359.2	359.2	359.2	359.2

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1007 Interagency Receipts	385.2	359.2	359.2	359.2	359.2	359.2
TOTAL	385.2	359.2	359.2	359.2	359.2	359.2

Estimate of any current year (FY2000) cost: _____

POSITIONS

Full-time	4	4	4	4	4	4
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

HB 399 levies a property tax on North Slope natural gas in the ground.

The Department of Law anticipates two new attorney positions and one paraprofessional position will be required if this legislation is enacted. It has been our experience that when a new tax is enacted, it is followed by years of litigation to establish the "ground rules" governing the tax's implementation. The new Civil Division positions will be funded with interagency receipts from the Oil and Gas Litigation and Legal Services appropriation, also within the Department of Law. A separate fiscal note for the Oil and Gas Litigation general funds necessary to pay for these positions accompanies this fiscal note.

Prepared by: Joan M. Kasson *Joan M. Kasson* Phone 465-5370
 Division Attorney General's Office Date/Time 4/3/00, 10:28 AM
 Approved by Commissioner *Redford* Bruce M. Botelho, Attorney General Date 4/3/00
 Agency Department of Law

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further distribution information, call the Governor's Legislative Office

ANALYSIS CONTINUATION

Based on the department's FY01 standard full-time equivalent attorney cost schedule, which includes clerical support, communications, space, supplies, data processing, and other normal overhead expenses, the cost of one FTE attorney is \$134,712 and a paraprofessional, \$89,837. An additional \$6,500 per position is necessary for one-time equipment purchases, a cost that cannot be included in the rate as overhead. Annual clerical support costs are included in the cost schedule as overhead at the rate of approximately one support position for every three attorney positions; however, a position authorization for one Legal Secretary I is necessary, as well as associated one-time equipment costs.

FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. HB 399

Revision Date/Time (Note if correction) _____ Dept. Affected Law
Title "An Act levying and collecting an ad valorem tax on BRU Civil Division
North Slope natural gas in place; and providing for an effective date Component Oil, Gas, and Mining
Sponsor Representative Croft
Requester House Special Committee on Oil and Gas Component No. 2091

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services	304.0	304.0	304.0	304.0	304.0	304.0
Travel	1.3	1.3	1.3	1.3	1.3	1.3
Contractual	49.0	49.0	49.0	49.0	49.0	49.0
Supplies	4.9	4.9	4.9	4.9	4.9	4.9
Equipment	26.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	385.2	359.2	359.2	359.2	359.2	359.2

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1007 Interagency Receipts	385.2	359.2	359.2	359.2	359.2	359.2
TOTAL	385.2	359.2	359.2	359.2	359.2	359.2

Estimate of any current year (FY2000) cost: _____

POSITIONS

Full-time	4	4	4	4	4	4
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

HB 399 levies a property tax on North Slope natural gas in the ground.

The Department of Law anticipates two new attorney positions and one paraprofessional position will be required if this legislation is enacted. It has been our experience that when a new tax is enacted, it is followed by years of litigation to establish the "ground rules" governing the tax's implementation. The new Civil Division positions will be funded with interagency receipts from the Oil and Gas Litigation and Legal Services appropriation, also within the Department of Law. A separate fiscal note for the Oil and Gas Litigation general funds necessary to pay for these positions accompanies this fiscal note.

Prepared by: Joan M. Kasson *Joan M. Kasson* Phone 465-5370
Division Attorney General's Office Date/Time 4/3/00, 10:28 AM
Approved by Commissioner *Kadane* Bruce M. Botelho, Attorney General Date 4/3/00
Agency Department of Law

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further distribution information, call the Governor's Legislative Office

ANALYSIS CONTINUATION

Based on the department's FY01 standard full-time equivalent attorney cost schedule, which includes clerical support, communications, space, supplies, data processing, and other normal overhead expenses, the cost of one FTE attorney is \$134,712 and a paraprofessional, \$89,837. An additional \$6,500 per position is necessary for one-time equipment purchases, a cost that cannot be included in the rate as overhead. Annual clerical support costs are included in the cost schedule as overhead at the rate of approximately one support position for every three attorney positions; however, a position authorization for one Legal Secretary I is necessary, as well as associated one-time equipment costs.



Representative Eric Croft

**Sponsor Statement
HB 399**

"The Alaska Natural Gas Pipeline Incentive Act of 2000"

"It is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest." Alaska Constitution, Article VIII, Section 1.

The people of the state of Alaska own title to substantial amounts of natural gas on the North Slope. As a clean burning fuel, the demand for natural gas is expected to grow substantially over the next 50 years. For many years, the state has allowed private companies to bid on the right to develop the oil and gas through the leasing process. Each lease signed requires that the leaseholder use reasonable efforts to develop the oil and natural gas under lease and to bring these products to market. Some of the leases on the North Slope are more than 30 years old. Yet the natural gas on the North Slope has not been developed and brought to market.

The multinational oil companies that hold the vast majority of leases for natural gas on the North Slope also hold leases for natural gas in other areas of the world. Our competitors worldwide demand that their natural gas resources be developed and marketed in different ways. In some countries, companies cannot develop oil resources unless they agree to develop the country's natural gas. In countries with a government-owned oil and gas monopoly, that government makes the decision to develop the gas and the private multinational companies must either cooperate or leave. In others, there is either an explicit or implicit threat of nationalization unless the private multinational companies agree to develop the country's natural gas deposits in a timely manner.

In short, the world plays hardball in the development of natural gas. Alaska does not. The main powers available to us to compel development of our resources are the taxing power and the power to require explicit terms in our gas leases.

The Alaska Natural Gas Pipeline Act of 2000 plays hardball in two different ways.

First, HB 399 encourages development of our resources by applying Alaska's oil and gas property tax rate of 20 mills to the natural gas resource under lease on the North Slope if certain benchmarks for agreeing to the sale of natural gas and for construction of the pipeline are not met. Under conservative estimates, there are at least 50 billion mcf of

natural gas on the North Slope waiting to be delivered to market. (mcf is thousand cubic feet and is the standard measure for natural gas) Some estimates go as high as 107 billion mcf. Some sales of natural gas on the North Slope between oil companies are made at \$3.50 per mcf. A value of \$1.00 per mcf is a more conservative estimate of the value of North Slope natural gas. A tax of 20 mills at a valuation of \$1.00 per mcf equates to 2 cents per mcf. Rather than assessing the tax at value, HB 399 assesses the tax on volume to avoid litigation about the value of North Slope natural gas. Using the lower estimates of 50 billion mcf of natural gas on the North Slope, HB 399 would yield about \$1 billion per year. This should provide an incentive for the leaseholders to develop the state's gas resource.

The gas reserves tax does not take effect if the leaseholders meet certain benchmarks. By 12/31/2002, the leaseholders must have signed agreements to sell a sufficient amount of natural gas to support the construction of a gas pipeline. This amount is set in the legislation at 650,000,000 mcf per year for at least a 20-year period. If the 2002 benchmark is met, then the gas reserves tax does not take effect until 12/31/2008. On this date, if the gas pipeline has been built, the gas reserves tax is permanently removed from the statutes. These benchmarks are reasonable and achievable goals towards the development of a natural gas pipeline.

Second, HB 399 inserts specific language into a lease, upon renewal or transfer of the lease, to require the sale of natural gas when certain conditions are met. The current lease language requires only general efforts towards development. We can and should be more specific about our reasonable expectations that our natural gas resources will be developed and marketed.

SCOMM

118:26

1-LS1488\D
Chenoweth
3/6/00

CS FOR HOUSE BILL NO. 414()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIRST LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVE GREEN

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the appointment and qualifications of the members of the
2 Alaska Oil and Gas Conservation Commission; and providing for an effective
3 date."

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

5 * Section 1. AS 31.05.005(a) is amended to read:

6 (a) There is created as an independent quasi-judicial agency of the state the
7 Alaska Oil and Gas Conservation Commission, composed of three commissioners
8 appointed by the governor and confirmed by the legislature in joint session. In
9 making appointments to the commission under AS 31.05.009(1) and (2) and this
10 subsection, the governor shall consider and give preference to a person who
11 demonstrates experience in oil and gas operations in the state.

12 * Sec. 2. AS 31.05.009 is amended to read:

13 Sec. 31.05.009. Qualifications of members. Members shall be qualified as
14 follows:

(1) one member shall be a petroleum [LICENSED PROFESSIONAL] engineer who

(A) holds a certificate of registration as an engineer under AS 08.48 and, under regulations adopted to implement that chapter, has qualified as a petroleum engineer; or

(B) has earned a degree from a university [WITH EDUCATIONAL AND PROFESSIONAL BACKGROUND] in the field of [PETROLEUM] engineering and has at least 10 years of professional subsurface experience in the oil and gas industry in drilling, well operations, production process operations, reservoir engineering, or a combination thereof; for the purposes of this subparagraph, a person meets the requirement of earning a degree in the field of engineering if the person obtains an undergraduate or graduate degree in engineering that meets the requirements for program accreditation by the Engineering Accreditation Commission of the Accreditation Board for Engineering and Technology and the person completes university or industry training specific to petroleum engineering that illustrates application of engineering principles to the problems encountered and methods used in the petroleum industry, including drilling, production, reservoir engineering, fluid flow through subsurface formations, and hydrocarbon transportation;

(2) one member shall be a geologist who is certified as a professional geologist under AS 08.02.011, has earned a degree in the field of geology from a university accredited in the field of geology, and has a minimum of 10 years professional experience in the [WITH EDUCATIONAL AND PROFESSIONAL BACKGROUND IN THE] field of petroleum geology; and

(3) one member who need not be certified, trained, or [AND] experienced in either the field [FIELDS] of petroleum engineering or the field of petroleum geology.

* Sec. 3. The uncoded law of the State of Alaska is amended by adding a new section to read:

APPLICABILITY. The provisions of AS 31.05.009, as amended by sec. 2 of this Act,

- 1 apply to persons appointed under AS 31.05.009 on and after the effective date of this Act.
- 2 * Sec. 4. This Act takes effect immediately under AS 01.10.070(c).

Alaska State Legislature

WHILE IN SESSION
CAPITOL BUILDING
JUNEAU, ALASKA 99801-1182
(907) 465-4931
1-800-870-4931
(907) 465-4316 FAX

INTERIM ADDRESS:
716 WEST 4TH AVENUE
ANCHORAGE, ALASKA 99501
(907) 269-0123
(907) 269-0124 FAX



VICE-CHAIRMAN, JUDICIARY COMMITTEE
MEMBER, HEALTH, EDUCATION &
SOCIAL SERVICES COMMITTEE

BUDGET SUBCOMMITTEES
ALASKA COURT SYSTEM
DEPT. OF ENVIRONMENTAL CONSERVATION
DEPT. OF REVENUE

Representative Joe Green

District 10

House Majority Leader

Sponsor Statement

HB 414 – Qualifications for AOGCC

From statehood until November 1995, the group responsible for oil and gas conservation in Alaska included a petroleum engineer. Performance of the core functions for which the present-day Alaska Oil & Gas Conservation Commission (AOGCC) is charged – prevention of waste, protection of correlative rights, and maximization of recovery – requires among other things, a thorough understanding of porosity, permeability, stratigraphy, faulting, reservoir pressure, and reservoir drive mechanism(s). These are the core disciplines of petroleum engineering, and require the technical analysis that only a qualified petroleum engineer can provide. Unfortunately, since November 1995, the commission, which represents the people of the State of Alaska, has not had the benefit of a qualified petroleum engineer, appointed by the Governor, and confirmed by the legislature, as required by statute, to participate in the oversight of these types of conservation operations.

HB 414 clarifies the statutory requirements for service on the AOGCC. As written, one member of the commission will be required to be registered as a petroleum engineer, have education in the field of petroleum engineering, and have experience in the field of petroleum engineering. Additionally, one member will be required to hold a certificate as a petroleum geologist, have earned a degree in the field of geology from an accredited university, and have field experience in the field of geology.

Alaska has been blessed with wealth derived from our hydrocarbon resources. In order to continue this flow of wealth, we must have qualified, capable people to properly conserve and manage our resources to the highest possible standards.

Alaska Oil & Gas Conservation Commission

Core Services

- Prevent waste of Alaska's oil and gas resources
- Protect correlative rights of the mineral interest owner
- Maximize recovery of oil and gas for the benefit of Alaska's citizens
- Protect freshwater from contamination by oil/gas/mud during drilling, production, and abandonment operations
- Administer Alaska's Underground Injection Control program for oil and gas wells
- Inspect oil field drilling, production, metering, and abandonment activities
- Evaluate, modify, and approve drilling and workover operations evaluate, modify, and approve oil pool development rules
- Adjudicate disputes between owners
- Maintain state production records
- Maintain well history files and well records

Customers

- Oil and gas industry
- Concerned citizens and organizations
- Alaska Department of Natural Resources
- Alaska Department of Revenue
- U.S. Department of the Interior
- U.S. Environmental Protection Agency

Alaska Oil & Gas Conservation Commission

Commission History

The Alaska Oil and Gas Conservation Act (1955) created the Alaska Oil and Gas Conservation Commission (AOGCC or Commission). The Commission was composed of the Governor of the Territory of Alaska, the Territorial Commissioner of Mines, and the Territorial Highway Engineer. Rules and regulations governing Commission activities became effective on October 1, 1958.

Under the State Organization Act of 1959, the Oil and Gas Conservation Commission was abolished its function and authority transferred to the Department of Natural Resources, Division of Mines and Minerals. A group within the department was designated to hold hearings and issue decisions on oil and gas matters. This group was the Alaska Oil and Gas Conservation Committee which consisted of the Director of the Division of Mines and Minerals (Chairman), the State Petroleum Geologist, the State Petroleum Engineer, and the Deputy Commissioner of the Department of Natural Resources.

In 1968 the Division of Oil and Gas was created within the Department on Natural Resources. The new division arose from the Petroleum Branch of the Division of Mines and Minerals. The Alaska Oil and Gas Committee was placed within the new division, and consisted of the Director, Chief Petroleum Geologist, and Chief Petroleum Engineer. In 1976 the word "conservation" was added to the division's title, and it became the Division of Oil and Gas Conservation.

With the advent of production from Prudhoe Bay in 1977, the Legislature became concerned that there was the appearance of a conflict of interest with the Department of Natural Resources, an owner of oil and gas rights, also acting as the regulator of other owners of oil and gas rights. To obviate its concern, the Legislature amended AS 31.05 by Chapter 158, SLA 1978 to restore the Commission, effective January 1, 1979, as an independent quasi-judicial agency within the executive branch of the state. Initially, the new Commission was housed within the Department of Natural Resources, but in 1980 it was transferred to the Department of Commerce and Economic Development. More recently, Governor Hickel transferred the Commission to the Department of Administration on February 17, 1994.

UAF Course Descriptions of Petroleum, Mechanical, and Civil Engineering

	<u>1st Year</u>	<u>2nd Year</u>	<u>3rd Year</u>	<u>4th Year</u>
PETROLEUM ENGINEERING	PETE 104 Survey of Energy Industries	PETE 205 Intro to Petroleum Drilling and Production PETE 211 Drilling Laboratory	PETE 301 Reservoir Rock & Fluid PETE 302 Well Logging PETE 303 Reservoir Rock & Fluid Lab	PETE 407 Petro Production Engineering PETE 411 Drilling Fluids Lab PETE 421 Reservoir Characteristics PETE 426 Drilling Engineering PETE 431 Natural Gas Engineering PETE 456 Petro Evaluation and Economic Decisions PETE 466 Petroleum Recovery Methods PETE 476 Petro Reservoir Engineering PETE 478 Well Test Analysis PETE 481 Well Completions and Stimulation Design PETE 487 Petroleum Project Design PETE 489 Reservoir Simulation
MECHANICAL ENGINEERING			ME 302 Mechanical Design I ME 313 Mechanical Engineering Thermodynamics ME 321 Industrial Processes ME 334 Elements of Material Science/Engineering	ME 403 Mechanical Design II ME 404 Stress Analysis ME 408 Dynamics of Systems ME 409 Controls ME 414 Thermal Systems Design ME 415 Thermal Systems Lab ME 416 Design of Mechanical Equipment for the Petr ME 441 Heat and Mass Transfer ME 450 Theory of Flight ME 451 Aerodynamics ME 452 Intro to Astrodynamics ME 453 Propulsion Systems ME 458 Energy and the Environment ME 464 Corrosion Engineering ME 487 Design Project
CIVIL ENGINEERING	CE 112 Elementary Surveying		CE 326 Intro to Geotechnical Engineering CE 334 Properties of Materials CE 344 Water Resources Engineering	CE 400 EIT Exam CE 402 Intro to Transportation Engineering CE 403 Traffic Engineering CE 404 Highway Engineering CE 415 Advanced Surveying CE 416 Boundary Surveying CE 422 Foundation Engineering CE 423 Intro to Earthquake Engineering CE 425 Advanced Soil Mechanics CE 431 Structural Engineering I CE 432 Structural Engineering II CE 433 Reinforced Concrete Design CE 434 Timber Design CE 438 Design of Engineering Systems CE 441 Environmental Engineering CE 442 Environmental Engineering II CE 445 Engineering Hydrology CE 470 Civil Engineering Internship

SCOMM

118:27

FISCAL NOTE

STATE OF ALASKA
1999 LEGISLATIVE SESSION

BILL NO. HJR 11

Revision Date:

Title: Endorsing ANWR Leasing

Dept. Affected

BRU

Component

Sponsor: Representative Phillips

Requester:

Component Serial No.

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES

CHANGE IN REVENUES ()

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1091 Designated Program Receipts						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY98) cost:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

No Fiscal Impact

Prepared by

House Oil and Gas Committee

Phone

Shannon Grynkeiwich, Aide

Phone

465-2283

Shannon Grynkeiwich

Date

02/09/99

Alaska State Legislature



Official Business
Phone: (907)465-2689
Fax: (907)465-3472

State Capitol
Room 411
Juneau, Alaska 99801-1182

Representative Gail Phillips

SPONSOR STATEMENT

HJR 11 -- ENDORSING A.N.W.R. LEASING

**Offered before the
House Special Committee on Oil and Gas
February 16, 1999**

HJR 11 encourages the United States Congress to pass legislation for oil and gas exploration, development and production on the coastal plain of the Arctic National Wildlife Refuge. A similar resolution in support of the opening of A.N.W.R. has received strong support in the past. In addition, it is strongly supported by the North Slope Borough and the majority of Alaskans.

The coastal plain of the Arctic National Wildlife Refuge contains an estimated 10 billion barrels of recoverable oil. Development of this resource will help Alaska offset its declining oil revenues and reduce our country's reliance on imported oil. It would bring us many jobs for Alaskans and help restore the declining employment in the oil industry. In addition, it would positively impact the number of jobs available to workforces in many other states.

Copies of this resolution will be sent to the President, Vice-President, all members of the House and Senate serving in the 106th US Congress, and the Secretary of the Interior. I am hopeful that the current legislature will be willing to re-enforce our previous support for developing A.N.W.R by passing this resolution. Thank you.

OIL & GAS COMMITTEE AGENDA

02/16/99

GAVEL DOWN

THE SPECIAL COMMITTEE ON OIL AND GAS IS NOW CALLED TO ORDER. FOR THE RECORD, THE DATE IS FEBRUARY 16, 1999 AND THE TIME IS _____ A.M.

WILL THE SECRETARY PLEASE CALL THE ROLE

TODAY'S AGENDA

Discussion and action
ON THE AGENDA FOR TODAY, WE HAVE HJR 11. REPRESENTATIVE PHILLIPS WOULD YOU LIKE TO ADDRESS THE COMMITTEE ON THIS ISSUE?

ARE THERE QUESTIONS FROM THE COMMITTEE MEMBERS FOR REPRESENTATIVE PHILLIPS?

WE WILL NOW TAKE PUBLIC TESTIMONY (refer to sign in sheet)

QUESTIONS FOR _____?

IS THERE ANYONE ELSE IN THE AUDIENCE WHO WOULD LIKE TO SPEAK TO THIS BILL?

MOVING THE BILL

Resolution
IT IS MY INTENTION TO MOVE THIS ~~BILL~~ FROM COMMITTEE TODAY...DO I HAVE A MOTION?

(once the member has made the motion, make sure they specify that a zero fiscal note is attached)

ARE THERE ANY OBJECTIONS?

HEARING NONE, HJR 11 HAS BEEN MOVED FROM THE OIL AND GAS COMMITTEE WITH INDIVIDUAL RECOMMENDATIONS [GAVEL DOWN]

IF THERE IS AN OBJECTION: WHAT IS THE NATURE OF YOUR OBJECTION?

(if a member wants to propose a substantial amendment and didn't provide it to the committee prior, rule the objection out of order)

**DOES THAT RESOLVE THE OBJECTION? FURTHER OBJECTIONS?
HEARING NONE, HJR 11 HAS BEEN MOVED FROM THE OIL AND GAS COMMITTEE WITH INDIVIDUAL RECOMMENDATIONS [GAVEL DOWN]**

ADJOURNMENT

- ARE THERE ANY FURTHER QUESTIONS OR COMMENTS FROM THE COMMITTEE MEMBERS?
- THE NEXT OIL AND GAS MEETING IS SCHEDULED FOR THURSDAY, FEB. 18 AND WE WILL HAVE A PRESENTATION FROM BP
- WITHOUT OBJECTION, MEETING ADJOURNED [GAVEL DOWN]

The goal of this committee remains to ^{stimulate} ~~the~~ and facilitate the Oil and Gas Industry

To that end, and I emphatically reiterate to that end --- N.S. Natural Gas must be brought to market // a plan to ~~the~~ accomplish this task is ~~the~~ co-assessing, and should be forthcoming in legislative form within a relatively short period of

time.

I hope that after careful consideration this committee, and the legislature ~~the~~ in whole, will enthusiastically support this plan ---

For it is no less important to Alaska's future than the opening of ANWAR.

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE

TO: HJR 11

1 Page 3, line 7, following "and be it":

2 Insert a new paragraph to read:

3 **"FURTHER RESOLVED** that the Alaska State Legislature opposes any
4 unilateral reduction in royalty revenue from exploration and development of the
5 coastal plain of the Arctic National Wildlife Refuge and any attempt to coerce the
6 State of Alaska into accepting less than the 90 percent of the oil, gas, and mineral
7 royalties from the federal land in Alaska that was promised to the state at statehood;
8 and be it"